Ongo Homes Limited

(formerly North Lincolnshire Homes Limited)

Report and Financial Statements

Year Ended

31 March 2017

Company Number 5430434 (England and Wales)

Charity Number 1117952

HCA Registration Number L4486

Report and financial statements
for the year ended 31 March 2017

Page:

Ongo Homes Limited
Executives & Advisors
for the year ended 31 March 2017

Board Members

The following members have held office during the year and to the date of this report unless otherwise stated:

Independent Members.

R Wells (resigned 1st November 2016)
H Lennon
G Dixon
S Turner
T Clark
E Cook
R Pomfrey
M Kenyon
M Spittles

Tenant Representatives
A Bairstow (resigned 15th June 2017)
J Norris (appointed 9th May 2017)

Council Member: R Waltham (resigned 10th May 2016)

Directors:	Chief Executive	A Orrey
	Director of Operations	S Hepworth
	Director of Resources	E Stoddart
	Director of Regeneration and Investment	P Stones

Secretary and registered office: E Stoddart

Meridian House, Normanby Road, Scunthorpe, North Lincolnshire DN15 8QZ

Company Number 5439434

Auditors

BDO LLP
Central Square
29 Wellington Street
Leeds LS1 4DL

Bankers:

Barclays Bank plc
One Snowhill
Snowhill Queensway
Birmingham B4 6GB

Solicitors:

Bond Dickinson LLP
St Ann's Wharf
112 Quayside
Newcastle upon Tyne
NE1 3DX

Forbes Solicitors
Rutherford House
4 Wellington Street (St John)
Blackburn, Lancashire
BB1 8DD

Wilkin Chapman LLP
New Oxford House
Town Hall Square
Grimsby
DN31 1HE

Trowers and Hamlins
Heron House
Albert Square
Manchester
M2 5HD

Nature of Business

Ongo Homes Limited ("Ongo Homes") is a company limited by guarantee, a registered charity and a Registered Provider of social housing regulated by the Homes and Communities Agency (HCA)

It is a wholly-owned subsidiary of the Ongo Partnership Ltd which is not a Registered Provider with the HCA. The corporate structure of the Ongo Partnership group is clearly defined and the relationship between this Company, the parent and its other subsidiaries is set out in Intra-Group agreements which were considered and approved by each of their Boards.

The primary role of the Company is to provide social housing in North Lincolnshire having taken over the ownership and management of North Lincolnshire Council's 9,950 homes on 26 February 2007

Board and Executive Directors

The Board Members and Executive Management Team serving during the period and up to the date of signing the Financial Statements are listed on page 3. None of the Board Members and Executive Management Team held any interests in the capital of this company, or of Ongo Partnership Limited

Executive Management Team members act as executives within the authority delegated by the Board. The Company's insurance policies indemnify Board Members and officers against liability when acting on its behalf.

The Chief Executive is appointed on a permanent contract with a six month notice period. Other Executive Directors have a three months notice period but are otherwise employed on the same terms as other staff.

The Executive Directors are all members of the East Riding Pension Fund, a final salary pension scheme. They contribute on the same terms as all other eligible staff and the Company contributes to the scheme on behalf of its employees

Financial Statements

The Board present their report and audited Financial Statements of the Company for the year ended 31 March 2017.

Results

The Company made an operating surplus of £14.2m for the year *(2016 - £14.3m)*. The result, after allowing for the expensed cost of environmental works and the past service pension credit, exceeded the business plan upon which the original transfer from the Council was based and the Directors consider this to be an acceptable standard of performance.

Reserves

Revenue reserves total £61.4m at the year-end and the business plan dictates that this will be utilised for future investment in the provision of social housing.

External Factors

We undertake comprehensive stress testing of the business plan and developed with the board an approved recovery plan should a doomsday scenario arise. Therefore we have been able to quickly prepare a plan to address the impact any economic changes on the organisation, with the financial forecasts showing that we will remain in a financially strong position and remain well within our loan covenants.

Going Concern

The Financial Statements are prepared on a going concern basis, as the Board is satisfied that the Company has sufficient resources to continue its activities for the foreseeable future. In making this assessment the Board has considered a wide range of information relating to present and future conditions, including future business plan projections allied to expected grant funding income and currently available banking facilities.

Governance

After a comprehensive review process by the HCA in the early part of the year our governance rating was upgraded from G2 to G1 in July 16. This gives us the highest rating for governance and financial viability (V1).

Statement of the Board's Responsibilities in Respect of the Accounts

The Board is responsible for preparing the Board Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board has elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law. Under company law the Board must not approve the financial statements unless it is satisfied that they give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period. In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Statement of the Board's Responsibilities in Respect of the Accounts (continued)

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing in England 2015. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Assessment of the effectiveness of Ongo Homes' system of internal control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of Company assets and interests.

The Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed and is consistent with good practice and regulatory requirements.

The main area in which this is evidenced is as follows.

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. Reports on significant risks facing the Company, and any changes to the Risk Map are reported to the Group Audit & Risk Committee which monitors the risk management arrangements. The Executive Team is responsible for regularly reviewing the risks of the Company and for monitoring mitigation plans against those risks.

A scoring system has been developed that attempts to quantify the original risk before any mitigation and then again after the identified mitigation plans have been completed. Completion of mitigation plans is routinely reviewed by the Audit & Risk Committee.

The Board reviews key strategic risks at least annually to ensure activity remains focussed on the correct areas and adequately take account of changes to the organisation's circumstances. The output from this work forms a part of the basis for focussing the internal audit programme.

Risk management is embedded into service areas through training and by inclusion in team and individual plans.

Business plans are stress tested and mitigation plans are put in place to cover any adverse crystallising of risks.

Internal Audit

Independent resources are used to undertake detailed audits on specific internal controls. An annual plan is agreed and each report is summarised for review by the Group Audit & Risk Committee. At each meeting of this group the outstanding audit issues are reviewed to ensure actions are progressing satisfactorily particularly if higher priority risks are identified by the audits.

The Committee has included focus on fraud prevention, detection and deterrence to those internal audits where risk is perceived to be greatest.

A fraud register is maintained and reviewed at each Committee meeting.

The internal auditors have an opportunity at every Committee meeting to discuss matters without the presence of executives.

External Audit

In so far as the Board is aware, all of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the association's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The External Auditors have an annual meeting with the Committee without the presence of executives.

Fraud

An annual review of the policy is undertaken by the Group Audit & Risk Committee covering prevention, detection, recovery and reporting.

The Fraud Register is updated as necessary for all actual and potential frauds committed or attempted to be committed against the Company and comes to every meeting of the Audit & Risk Committee.

Reporting, review and corrective action

A process of regular management reporting on control issues provides assurance to the Executive Management Team and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and the delivery and fulfilment of our services.

Statement of the Board's Responsibilities in Respect of the Accounts (continued)

The Group Audit & Risk Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process. This Committee makes an annual report on this matter to the Board. The Board has received this report and has included it within the Financial Statements.

The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the Company. This process has been in place throughout the year under review, up to and including the date of the annual report and accounts, and is regularly reviewed by the Board.

Employment and Equal Opportunities

Employee information is set out in Note 7 of the Financial Statements.

The Company is committed to the principles of equal opportunities.

Auditors

BDO LLP has expressed their willingness to continue. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

M Spittles
Director

Date: **17th August 2017**

Audit and Risk Committee report
for the year ended 31 March 2017

From 1 April 2016 to 31 March 2017 there were four meetings held on

- 18 May 2016
- 10 August 2016
- 17 November 2016
- 17 February 2017

These meetings were attended by

Name	Number of meetings eligible to attend	Number of meetings attended
Edgar Patchett	4	4
Andy Colls	4	4
Avril Bairstow	4	3
Malvin Kenyon	4	4
Richard Wells	2	1
David Stewart	2	2

The key responsibilities of the Group Audit and Risk Committee which enable it to assist the Board in fulfilling its oversight responsibilities are.

- Reviewing the effectiveness of the Company's financial reporting and internal control policies.
- Reviewing procedures for the identification assessment and reporting of risk and the effectiveness of risk management.
- Monitoring the integrity of the Company's Financial Statements.
- Monitoring compliance with applicable legal and regulatory requirements.
- Agreeing the scope of the Internal Auditors annual audit plan
- Agreeing the scope of the External Auditors audit plan
- Monitoring the qualifications, expertise, resources, independence, performance and effectiveness of the Internal and External Auditors.
- Making recommendations to the Board on the reappointment or otherwise of both the External and Internal Auditors and keeping their fees, terms of engagement and independence under review.

The minutes of each and every Group Audit & Risk Committee meeting are accepted by the Ongo Partnership Board Meeting that follows it. A verbal update is given at both the Ongo Partnership and the Ongo Homes Board

Edgar Patchett who has been Chair since October 2009 stepped down in September 2016 he was succeeded by Andy Colls, a Chartered Accountant and member of Partnership Board.

The Committee has asked that the Chief Executive and the Director of Resources attend its meetings. Other members of the Executive Team attend as and when required.

Members of the Committee have the opportunity to meet alone and/or to meet with both the Internal and External Auditors who have direct access to the Chair of the Committee

The Chair of the Committee also receives the management accounts monthly

The Committee, may at Ongo Partnership's expense, obtain independent professional advice on any matters covered by its terms of reference.

The Committee accepts that certain work of a non audit nature is best undertaken by the External Auditors. The Committee reviews the amount of non audit work they perform on an annual basis.
The principal activities undertaken by the Committee in the period under review were as follows:
Internal controls and risks:

- Considered the reports from both the Internal and External Auditors on work undertaken in reviewing and auditing the control environment to assess the effectiveness of the internal control system
- Assessing the effectiveness of the internal controls of the company and the group and reviewed related disclosures in the Financial Statement
- Reviewed the Asset and Liability Register
- Monitored the Data Protection Action Plan and the Plan for the General Data Protection Regulations due to come into force in May 2018.
- Monitored the progress of the New Finance System that went live in January 2017.
- Monitored all single tender actions to ensure that the committee was comfortable with the reasons behind these
- Monitored fraud attempts.
- Monitored Health and Safety as regards to compliance with legionella, gas safety, electrical testing, asbestos and fire assessments.

Finance reporting

- Reviewed the Financial Statements of the Company and as part of this process the significant financial judgements contained therein
- Reviewed the assumption regarding the preparation of the Financial Statements on a going concern basis, including the supporting information and disclosures contained therein.

Internal audit:

- Agreed the internal audit plan for the period aimed at assessing the effectiveness of policies and processes relating to the key areas of operational and financial risk.
- Received, reviewed and considered the reports from the Internal Auditors with respect to the work they had done with regard to their agreed audit plan
- Monitored the progress the Company and the Group had made to implement any recommendations made by the Internal Auditors
- Considered, evaluated and agreed the fees of Mazars LLP as the Internal Auditors of the Company and the Group for the year ended 31st March 2017.

External audit:

- Agreed the approach and scope of the audit work to be undertaken by the External Auditors
- Received, reviewed and considered the interim and final management reports of the External Auditors.
- Monitored the progress the Company and the Group has made to implement any recommendations made by the External Auditors.
- Agreed the fees for the External Audit
- Considered, evaluated and agreed the appointment of BDO LLP as the External Auditors of the Company and the Group to the year ended 31st March 2017.

AUDIT AND RISK COMMITTEE CHAIR **DATE: 17th August 2017**
A Collis

VISION

"To create truly vibrant and sustainable communities."

CORPORATE OBJECTIVES

To enable the Company to realise this vision its strategy is based on the successful completion of its four key Corporate Objectives.

- Do the basics well
- Improve lives
- Be strong financially
- Grow the business

The Board has revised the Corporate Plan and Objectives and has reiterated its commitment to build more homes.

Nature of business

The Company was formed on 28 April 2006. It became operational with the transfer of the housing stock of North Lincolnshire Council on 26 February 2007 and is located in the main town of Scunthorpe.

The Company's housing stock at 31st March 2017, which is centred in and around the Scunthorpe area, consisted of 9,436 units for General Needs, Affordable Rent 241 units, 10 units for Supported Housing/housing for older people and 2 units for shared ownership. This stock includes 11 units within General needs put aside for remodelling and/or awaiting demolition. The Company therefore has a high exposure to the risks associated with a large number of General Needs housing in a concentrated area.

The condition of the stock was reviewed as part of the Stock Transfer, and became the platform on which the Company built its refurbishment and improvement programme for the following 5 years. This was designed to exceed Decent Homes Standard and was successfully completed in March 2012 and continues to be attained now.

Compliance with Governance and Financial Viability Standard

The Board carried out an assessment against the standard for 2016/17 and are pleased to certify that Ongo Homes fully complied with the Governance and Financial Viability standard throughout the financial year.

NHF Code of Governance

The Board has adopted the NHF Code of Governance. Following an assessment against the Code the Board is pleased to report that it fully complies with the NHF Code of Governance 2015.

The Company is governed by a Board of Management of up to 12 non executive members. The current list of members is included on page 3 of these financial statements. The Company strives to ensure it is able to recruit members from a diverse background to bring together the necessary skills and expertise required to lead a successful and high performing organisation. All Board Members are subject to individual annual assessment by an independent body, which shares its findings with the Board. Apart from incidental travel expenses, Board Members do not receive any remuneration for their services.

The Board delegates the day to day running of the Company to an Executive Management Team, headed by a Chief Executive and supported by Directors of Resources, Operations and Regeneration & Investment. Members of the Executive Management Team also attend the Board meetings.

After a comprehensive review process by the HCA in the early part of the year our governance rating was upgraded from G2 to G1 in July 16. This gives us the highest rating for governance and financial viability (V1).

Employees

The Company recognises that fulfilment of its Corporate Objectives is underpinned by the quality and contributions of its Board and all the people it employs across the organisation. The Company is committed to investing in its employees and through its annual performance and development process it is able to identify and build upon each and every employee's development needs to equip them with the necessary skills and experience they require.

The Company shares information on its objectives, progress and activities through a series of meetings involving executive directors, the senior management team and its employees, and by means of the intranet and other social media sites. It also participates in a Joint Consultative Committee with elected employee representatives and meets regularly to discuss issues relevant to them.

On re-evaluation, the Company retained its Gold accreditation from Investors in People, an achievement which demonstrates the Company's commitment to maintaining a workplace which values the professional and personal development of its employees.

As an equal opportunity employer, the Company is committed to the equality and diversity agenda regardless of age, race, religion, belief or ability. As such it invites interests from all of its stakeholders and believes that this commitment is fundamental across its organisation and integral in what it seeks to achieve.

Business planning

The business planning process is centred on achieving the Company's key Corporate Objectives. This includes an assessment of strengths and weaknesses, opportunities and threats related to those objectives. These are discussed annually between the Executive Management Team and the Board and appropriate measures are included within the business plan.

OPERATIONAL HIGHLIGHTS

Investment in the future

Our main highlights in 2016/17 were:

- Achieved 92.7% customer satisfaction rate in the Company's overall service to tenants.
- Successfully implemented a new finance system.
- Marketed our first Shared Ownership homes and developed our first 10 homes outside the North Lincolnshire boundary, marking the expansion of our housing on offer.
- Invested £700k into community-based projects which, along with a further £855k in external grants and funding, has helped 250 people into employment and brought about improvements to estates.
- Retained the OHSAS 18001 international standard for Occupational Health and Safety Management and the ISO 14001 standard for Environmental Management.

OPERATIONAL HIGHLIGHTS (continued)

New Business

Through working in partnership with the HCA and North Lincolnshire Council, 55 new properties were completed during 2016/17.

Improving what we do

External accreditation is used to measure our performance and effectiveness, especially in front facing services such as resident involvement or customer services.

By putting ourselves through external scrutiny, the company has the opportunity to benchmark not just within the sector but against other industries too.

2016/17 saw the hard work of staff at Ongo being recognised locally and nationally at a number of different award ceremonies. Here's a selection –

- Maintenance Team: National Housing Heroes Team of the Year Award
- Customer Services Team: National Housing Heroes Frontline Team of the Year Award
- Leaders in Diversity accreditation
- Home Ownership and Leasehold Services Housing Quality Network reaccreditation

FINANCIAL REVIEW

The principal aim of this section is to explain the Company's financial performance during the last year and how this is linked and influenced by its:

- capital structure
- treasury policy,
- sources of liquidity and
- investment plans.

Financial Performance

The Company's turnover decreased to £44.8m *(2016:£45.5m)* largely as a result of the annual rent decrease of 1%, mitigated by additional one off income realised

Rent losses from voids and bad debt (expressed as void and bad debt as a percentage of income from lettings) was 3.0% *(2016: 2%)* The Board considers void management to be a key performance measurement and, in addition to bad debt and void losses, continually reviews the percentage of void stock in management and void turnaround (re-let) time.

The percentage of income lost from voids (expressed as income lost from voids in management divided by gross rent) was targeted to be 3% in the last financial year. It is very pleasing to report that at 31 March 2017 this figure was well below target at 1% *(2016: 0.8%)*. This is an excellent result given the economic background we are operating in.

Overall rent arrears at the end of the year (expressed as arrears divided by gross rent) were 5.6% *(2016: 3.4%)*. In a year that has seen continued difficulties in the general economic environment to be able to report such a low figure is a credit to the efforts of our employees and the work they carry out with our other specialist partners to address tenants monetary and other financial inclusion issues.

The net movement in housing stock saw an decrease to 9,700 *(2016:9,724)*. During the year 42 tenants exercised their right to buy their home (RTB). The surplus on the sale of properties was £1.35m *(2016:£1.11m)*

FINANCIAL REVIEW (continued)

Financial Performance (continued)

The operating surplus before interest and right to buy has decreased by 3% to £12.9m (2016: £13.2m), with operating margin changing from 28.6% (2016) to 28.6% (2017).

The surplus on ordinary activities before taxation for the year increased by £365k to £11.46m, after the actuarial loss on the defined benefits pension scheme of £7.0m (2016 gain of £10.5m) this leaves a recognised gain to reserves of £4.4m compared to £21.6m in the previous year.

Capital Structure and Treasury Policy

The Company borrowed no new funds during the year, but continued to refurbish and improve its housing stock.

Borrowings at the period end remained at £71m and unused available facilities total an additional £30.9m. This debt is borrowed wholly from a UK bank using a mixture of fixed interest and variable rate loans. All loans are repayable after more than 5 years, with the first repayment in 2022/23.

The treasury strategy is set annually and approved by Ongo Partnership Board. Normal policy is to maintain between 60% and 80% of borrowings at fixed rates of interest. At the end of the financial year 85% of the Company's borrowings were at fixed rates of interest.

The Company does not use hedging instruments other than to fix variable rate debt at the time of drawdown.

The fixed rates of interest range from 4.8% to 5.1%. This compares to a range of 1% to 1.4% for shorter term variable rate borrowings that are priced with reference to the LIBOR rate at the time.

The Company is currently negotiating new terms with its lender. Whilst it does not expect borrowing to change significantly in the next financial year this may change in the longer term to enable the company to meet its corporate objectives.

The Bank's lending agreement requires compliance with a number of covenants. Ongo Home's position is monitored on an on-going basis and reported to the Board. Recent reports confirmed that the Company was in compliance with all its loan covenants throughout the year under review and the Board expects to remain compliant in the foreseeable future.

Surplus funds are invested in approved UK institutions and monitored by the Ongo parent board and the Treasury Committee.

The Company's principal credit risk relates to tenant arrears. This risk is actively managed by providing support and advice to those tenants who are eligible for housing benefit and to closely monitor the arrears of those tenants who are able to self fund some or all of their rent. Recent and proposed changes to the benefits system have been identified as one of the Company's key risks.

Cash flows

Cash inflows and outflows for the period under review are set out in the statement of cash flows. It details:

- net cash inflows from operating activities which are from the management of housing stock;
- returns on investment and servicing of finance due to interest income and interest charges; and
- the net movement on financing

FINANCIAL REVIEW (continued)

Current liquidity

Cash and bank balances at the year-end were £27.8m. Net current assets were £24.4m. Ongo Homes has facilities and security in place to borrow a further £30.9m

The Board does not consider there to be any seasonal effects on borrowing requirements. The main factor influencing the amount and timing of borrowings is the pace of the development programme. Cash flow forecasts are monitored closely to ensure sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs by only drawing on loan facilities when required

PRINCIPAL RISKS

The principal key risks facing the Company are:

- Operational: effective management of both existing housing stock and of new development programmes
- Financial: welfare reform (income loss); housing stock loss through Right to Buy and replacing stock, future funding availability
- Compliance: having key business skills on the board; compliance with all HCA regulatory standards
- Strategic: changes in housing policy; new developments

FUTURE PLANS

We want to grow by:

- Securing funding to build new homes
- Maintaining the number of homes we manage by making sure we build more homes than we lose through Right to Buy and regeneration or demolition
- Developing Partnerships and working relationships to enable us to build more homes.

We want to diversify to:

- Reduce the overall risk profile & our reliance on localised home rental income
- Increase our income streams through offering new products & services e.g. roofing, training and employment, maintenance externally.
- Increase our local influence by becoming a key provider or enabler of complementary housing related services to our tenants and their communities
- Strengthen the bonds between Ongo and existing customers by increasing the range of services offered to help them sustain their tenancies

STATEMENT OF COMPLIANCE

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in the SORP for Registered Providers and the Companies Act.

By Order of the Board

M Spittles
Director

Date: 17th August 2017

Value for Money Statement
For the year ended 31st March 2017

Introduction

Ongo is a partnership of companies with one shared vision, to create and sustain truly vibrant communities.

Our purpose is to provide people with quality homes in safe communities, and support them to live well.

But how we do that is changing.

No longer do we see ourselves only as a landlord of social housing. We recognise that to address local housing need we need to provide a range of affordable housing options, including shared ownership and even homes for outright sale.

And, we need to look at new ways in which we can fund the building of new homes.

We are changing our direction but not our emphasis. Providing affordable, high quality homes to those in most need is our core purpose and that is not changing.

But we are using our resources differently, to establish new commercial ventures which complement our housing business and generate new income. And we are establishing new partnerships to significantly increase our new build programme in the years ahead.

Our success relies on many things, not least ensuring that we achieve the very best value for our money and are financially resilient to changing environments - politically, socially and environmentally.

This is our fourth Value for Money Statement and, whilst it focuses on the activities of Ongo Homes, our housing association, we will draw on the added values our group activities bring to ensure we deliver our vision and remain true to our social purpose in providing affordable homes for those most in need.

The structure of our partnership

Ongo has three main subsidiaries:

Ongo Homes is our housing association and remains our core business, providing social and affordable homes across North Lincolnshire and essential landlord services to help people sustain long and successful tenancies. Ongo Homes is a charity and is regulated by the Homes and Communities Agency and Charities Commission.

Established in 2012, **Ongo Communities** delivers a wide range of social projects aimed at improving the lives and opportunities of Ongo Homes' tenants and the wider community. This includes its own employment agency, Ongo Recruitment, and a brokerage company which provides staff to help people manage their budgets and live independently.

Also formed in 2012, **Ongo Commercial** is our profit-making subsidiary. The profit it makes is for reinvestment into group activities. We have three companies owned by the commercial subsidiary – Ongo Heating and Plumbing (trading as Hales & Coultas Heating and Plumbing), Ongo Roofing (trading as Ashbridge Roofing), and an estate agency Ongo Sales and Lettings (trading as Moving).

Ongo Homes, Ongo Communities and Ongo Commercial sit under one parent company, **Ongo Partnership**.

Our 2020 Corporate Plan

In 2016 we launched our 2020 Corporate Plan and developed four new Corporate Objectives:
- To provide excellent value for money services and homes that local people need
- To help tenants improve their lives and sustain their tenancies
- To use excess resources to build new homes that meet local demand
- To grow our group with complementary activities

The plan is set against a background of opportunities and risks. Our appetite for risk is stated against our objectives.

The availability of funding is moving towards shorter term facilities and increasingly towards bonds and investor backed finance. For organisations looking to grow, as we are, the outlook for finance is favourable.

With this in mind we have already begun talks with our bank, Barclays, to review our financing options.

Our aim is to increase the flexibility of our financing terms, at a competitive borrowing rate, so that we can use additional cash and facilities to build the new homes we want.

2016/17 also saw us start the process of seeking authority to change Ongo Homes from a charity to a community benefit society, enabling us greater freedom over the disposal of our assets whilst maintaining our charitable aims. The change will also allow us to pay all our board members, something we believe helps us retain a professional and highly skilled board.

Our rating for financial viability, as judged by the HCA, is V1, the highest it can be. In 2016/17, our rating for governance was increased from G2 to G1 after we were able to provide the HCA with additional confidence in the quality of our people and processes.

In improving the quality of our internal governance processes we have also significantly enhanced the skills and experience of board members and developed a robust risk management framework. All of this gives us the confidence to increase our appetite to risk for future growth.

Unemployment is falling in North Lincolnshire and it can be reasonably assumed that the economic growth of the Humber bank will be reflected in new employment opportunities, and increased income, for tenants.

However, retaining our current housing stock levels remains under threat from Right to Buy. Our tenants are disproportionately affected by Welfare Reform, threatening our ability to lower arrears, the future of grants for development remains uncertain and our ageing population means that the costs of keeping people in their homes for as a long as possible are all major challenges.

Our 2020 Corporate Plan sets out how we will deliver our objectives within this operating environment.

What Value for Money means to us

For us, Value for Money means getting the biggest benefit we can from every investment we make.
We give good value when our costs are low and our customer satisfaction is high.
To give good value we must understand our assets, know our customers, track our markets and monitor our performance.

Our strategic approach to Value for Money

Our Value for Money Strategy is centred around six key principles:

- Maximising our return and protecting and understanding our assets
- Understanding and embedding value for money across the group
- Considering value for money in everything we do and setting targets to achieve it
- Understanding what customers want and delivering objectives that meet this
- Being transparent and inclusive
- Having effective governance and value for money structures

A planned revision to our Value for Money Strategy was deferred in 2016/17 and will be completed in 2017/18 to better reflect the growth and diversification of the group, although the principles will remain the same.

Our boards regularly challenge the Executive Management Team to ensure we are generating value and achieving the greatest return from our resources to deliver our Corporate Plan.

Each year we set targets and measure the value we have achieved through our Value for Money Register. This is reported annually to our boards.

We also produce an Assurance Dashboard which is presented to each Ongo Homes' board meeting and reports on how we are delivering on key performance indicators linked to our four Corporate Objectives, plus information on financial, regulatory and legal compliance, key risk indicators and internal audits.

A detailed breakdown of operational performance is reported monthly in a Balanced Scorecard and scrutinised by the executive and senior management teams.

Going forward, we will be adopting a sector scorecard, which has been endorsed by the HCA as the preferred replacement for the Value for Money self assessment statement in its current format. Ongo Homes is one of 250 housing associations piloting the new approach.

The scorecard will record our performance against 15 different criteria, based around business health, development, delivery of outcomes, effective asset management and operating efficiencies.

In anticipation of this change, we have included our sector scorecard for 2016/17 in this edition of our Value for Money statement.

Our Value for Money savings

Each year, we record the value for money savings we achieve.

In 2016/17, our savings totalled £1.02m, against a target of £500k.

Of these savings, £895k was actual cash saved, such as saving money on a new contract, and £126k was in efficiencies, such as saving staff time.

Of the £1.02m savings, £428k were recurring, for example the reduction in staff posts, and £593k were one off savings.

More than £86k worth of savings were made through the reprocurement of a number of contracts, including:

- £22k saved by changing mobile phone tariffs and agreements
- £13k saved with a new cleaning contract and agreement.
- £10k saved on our lone worker system.
- £10k saved on our vehicle tracking system
- £7k saved on the maintenance and repair of our door entry systems

Doing what we say we will

In our Value for Money Statement 2015/16 we made a number of pledges to further increase efficiency and reduce costs. Here's what we have done since then

What we said we would do	Progress so far
Retendering contracts in waste management	We successfully appointed a new contractor in March 2017 for the disposal of office waste. The contract for trade waste management is being procured in 2017/18.
Asset Management Strategy review	We completed the review and a new strategy was approved by Board members in February 2017.
Demolition of flats on Albert Marson Court in Scunthorpe	Demolition was completed in February 2017. The development of 27 homes on the site is due for completion in August 2018.
Review our Value for Money Strategy	This was deferred from 2016/17 because of changes within the VFM and Procurement Team and will be completed in 2017/18.
Achieve an additional £500k saving on top of the budget	We doubled this by achieving £1.02m in additional savings
Consider the future of commercial properties	This is part complete. We sold one commercial unit for above market value on Priory Lane, Scunthorpe, and have demolished five units in Albert Marson Court, Scunthorpe, as part of a regeneration scheme
Consider acquiring a new Asset Management System	We have carried out a gap analysis to determine what we need from a new system. Following a number of presentations from market leaders, we have allocated funding for a new system and the project is scheduled for August 2017
Maintain a direct cost per property of £725 or under for Maintenance Services	The direct cost for providing the service was £[illegible] per property in 2016/17.
Complete a £3.5m programme to replace windows, lifts and heating systems on Market Hill estate, Scunthorpe	This work was completed in 2016/17.
Achieve an average cost of £2,164 for an empty homes repair.	The average cost in 2016/17 was £2,585.75, a reduction of more than £650 per property on the previous year.
Achieve 9% turnover of properties by 2020 by targeting high turnover areas	Our performance at March 2017 was 9.37% against a target of 10.5%. Our target for 2017/18 is 9.0%.
Review and restructure the Allocations Team to produce a headcount saving of 7%	We completed a review in 2016/17 resulting in a headcount reduction from 14 to 12, a 14% reduction
Reduce the direct costs of Housing Management to £251 per property by 2021	The cost per property at March 2017 was £272 against a target of £281.
Complete a review of the Income Management Team to achieve efficiencies	The Income Collection review achieved a headcount reduction of 1 full time post and £[illegible]k saving on the budget.
Implement a new income management system	A new arrears case management tool was piloted. RentSense has achieved a time saving equivalent to 2 full time members of staff. This resource has been retained within the team to deal with the increase in workload generated by welfare reform.
Negotiate a new mobile phone contract to save £30,000 per year	We have negotiated new contracts with EE and Vodafone, resulting in savings of £26,000 plus credit worth more than £25,000 for new equipment and £12,000 goodwill payments to off-set against future bills.
Introduce a collaborative communications system to improve efficiency in call handling and mobile working	We have implemented a new system which allows a single feed for all calls, web chat, text messaging, email, social media and instant messaging. This supports our agile working strategy and improves our flexibility for out of hours call handling.

(Source: Heads of Service)

Delivering our 2016/17 Operational Plan

Annually, we develop an Operational Plan which details the activities we will carry out in that year towards achieving our wider corporate objectives.

In 2016/17, we completed 97% of the 54 actions in the Operational Plan.

Some of the headline projects included:

- A review of our high turnover homes, resulting in an action plan to address specific issues on each estate.
- A review of our estate services, resulting in a more effective structure and the reduction of a post, a saving of £30k which is realised from April 2017.
- A review of our support for under-25s to help sustain their tenancies, resulting in just 6% of tenants who went through our support programme falling into arrears, compared to 29% of tenants from that age bracket who did not receive support.
- The introduction of a financial asset process to calculate the Net Present Value of properties.
- The implementation of a new finance system to replace an inefficient legacy system.

Our balance sheet and income statement

In 2016/17 our operating margin rose slightly from 28.7% to 28.8%, realising a net operating surplus of £12,889k, excluding the surplus made on the sale of properties *(based on Ongo Homes Statutory Accounts).*
Our turnover fell by £1,148k to £44,771k. This is mainly due to the 1% rent reduction taking effect.

Our revenue reserves increased by £4,430k to £61,301k.

The increase in reserves was generated from the additional operating profit (£12,889k) and surplus made on the sale of properties under Right to Buy (£1,254k), minus the interest payment on our borrowings (£2,776k) and the cost of funding the Local Government Pension Scheme (£7,010k), of which a large proportion of our employees are members.

This represents a 10.1% return on net assets, compared to an 18.4% return in 2015/16

Ongo Homes currently has a £102m loan facility with Barclays Bank plc and at the end of 2016/17 had drawn down loans to the value of £71m

With the existing value of the housing stock at £275.6m this equates to an asset cover ratio (excluding pension deficit) of 388%

In essence, this means for every £1 of borrowing, we have £3.88 worth of assets. This compares to a ratio of 309% in 2015/16

Our long term liabilities still continue to be borrowings and pension.

Providing excellent value for money services and homes

One of the most effective ways of measuring whether we provide excellent services is to ask our customers. Three times a year we carry out a telephone survey of 600 different tenants to produce our annual customer satisfaction performance report. Our Tenant Inspectors validate the data we collect.

We have maintained extremely high levels of customer satisfaction, with 92.7% of the 1,800 people asked saying they were happy with our overall service.

The one measure that has improved year on year is satisfaction that the rent tenants pay offers them value for money. More than 92.8% agreed – a steady increase from 86% four years ago

Customer satisfaction survey for Ongo Homes				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Overall satisfaction with the service provided by Ongo Homes	92.7%	94.2%	89.4%	91.3%
Satisfaction with the overall quality of your home	93.1%	94.0%	91.0%	90.0%
Satisfied that Ongo Homes treats you fairly	95.6%	94.2%	90.7%	Not recorded
Satisfaction that your rent provides you value for money	92.8%	91.8%	88.0%	86.7%
Satisfaction with your neighbourhood as a place to live	88.3%	91.9%	89.1%	89.7%
Satisfaction that Ongo Homes has friendly, approachable staff	96.6%	95.9%	90.8%	Not recorded
Satisfaction that Ongo Homes listens to, and acts on, your views	91.0%	86.9%	83.1%	79.6%
Satisfaction that Ongo Homes keeps you informed	93.3%	92.1%	89.2%	Not recorded

(Source: STAR survey 2016/17)

When it comes to determining whether we are providing the level of service and value our tenants want and expect, we also employ the services of our Resident Scrutiny Panel – a team of tenants who are appointed to investigate core services and recommend efficiencies and improvements

They provide an independent assessment and critical challenge with the aim of driving up improvements to standards, processes and performance.

In 2016/17, the Resident Scrutiny Panel carried out two investigations – one into the use of external contractors and one into the handy van services run by Ongo Communities.

Thirteen recommendations were adopted as a direct result of the investigation into the use of external contractors including an action to reduce the number of missed appointments which directly reduces cost and improves customer satisfaction.

Eleven recommendations were made to the handy van service, including an increase in charges to the public, which was introduced in April 2017.

Improving tenants' lives and helping them sustain their tenancies

The purpose of maximising our income, and running as efficiently as possible, is not just to free up cash for building new homes, but to improve the lives of our tenants and wider communities too.

There are two ways in which we do this: through our Ongo Homes Tenancy Support team and through our Ongo Communities' project teams.

In 2016/17 our Tenancy Support Team helped 1,899 tenants across a range of issues, including financial guidance, improving home management skills, supporting people with learning difficulties, offering advice to people from black and minority ethnic backgrounds and encouraging older people to address social isolation.
We helped tenants access an additional £653k in housing benefit and discretionary housing payments, plus £1.12m in unclaimed welfare benefits.

Also, in 2016 we published our 2020 Community Investment Strategy with three main objectives:

- To improve people's education and skills
- To help communities thrive
- To increase employment and enterprise opportunities

We strongly believe that if we help people increase their income, by improving their job skills and confidence, or help them create a community they are proud of, they are more likely to sustain their tenancy and avoid falling into arrears.

For this reason, 1.3% of the rental income received by Ongo Homes was invested into community investment activities. This amounted to £530k in 2016/17.

We employ 51 people to deliver our community projects, which includes 10 volunteers.

Seventy-eight percent of the 41 paid staff are funded externally through grant aid.

In fact, in 2016/17 we won external funding worth more than £855k to deliver a wide range of projects, including employment support, mental health support, sports activities, gardening projects, home energy checks and play park equipment.

It's not always easy to measure the success of all our programmes, but where we can, we use the HACT (Housing Associations' Charitable Trust) model to calculate social return on our community investment.

The HACT model has become the industry standard for measuring social value. It provides a monetary value for specific outcomes, for example getting one person into full time employment is valued at £14k in social value.

More than 270 people signed up for our employment support in 2016/17, and 250 were helped into sustainable employment. Using the HACT calculator, we know that for every £1 we spent, in 2016, on employment support activities, the social return was £29.66.

Supporting people into training and employment			
[illegible]	[illegible]	[illegible]	[illegible]
Number of people who accessed intensive employment support	742	536	389
Number of people engaged in meaningful volunteering	82	75	74
Number of people helped into sustainable employment	250	179	143
Number of apprenticeships created	42	36	51
Number of work/life skills training sessions	583	713	545

(Source: Ongo Balanced Scorecard 2016/17)

Using excess resources to build new homes

In 2016/17 we completed the building of 53 new homes. Fourteen were part-funded by the Homes and Communities Agency's Affordable Homes Programme 2013-15, and 39 as part of the 2015-18 programme. The additional funding was met through Ongo Homes reserves. We also began to build a further 227 new homes.

It was announced in 2016/17 that, as part of the HCA's Shared Ownership and Affordable Homes Programme 2016-21, we were to be awarded £7,750k in grants to fund 257 new homes.

2016/17 saw us acquire our first two shared ownership homes in Scunthorpe. We also branched outside our traditional North Lincolnshire boundary, developing 44 homes in Harworth, Nottinghamshire, 13 in North Hykeham, Lincolnshire, 10 in Moorends, South Yorkshire, and 60 in Balby, South Yorkshire.

Growing the group with complementary activities

Bringing commercial businesses into the Ongo Partnership has allowed greater opportunities to make savings on our cyclical maintenance programmes for roofing and boiler installations.

In 2016/17, Ongo Commercial bought the assets of two local plumbing and heating companies and created its own business, Hales & Coultas Heating and Plumbing.

The purchase had no financial impact on Ongo Homes, however, it brought benefits which we can take advantage of.

Market testing showed that savings of up to 22% could be made on full system heating installations by Hales & Coultas when compared to a previous contractor.

By employing an internal company we are also ensuring that profit remains within the group for reinvestment into homes and services.

Our environmental impact is also a key consideration for us.

In 2016/17 we achieved ISO 14001 accreditation. This is a nationally recognised standard for environmental management.

We have also set targets for reducing our carbon footprint by 2% in 2018 and 7% by 2020, including diverting items from landfill and improving the energy efficiency of our properties.

Our own Choose to Reuse furniture recycling shop already contributes, keeping 47,338 tonnes from landfill in 2016/17. There were 1,514 pieces of furniture sold and 1,628 items donated, generating a revenue of £48,263, a 4.59% increase on the previous year.

Understanding and managing our assets

One of our pledges in 2015/16 was to develop a new Asset Management Strategy.

Having completed this, we now have a clear plan which will take us up to 2020.

More than 78% of our homes were built between 1946 and 1979. Since taking over ownership from North Lincolnshire Council in 2007, we have invested more than £200m, or approximately £20k per home, to ensure they meet, at the very minimum, the Government's Decent Homes Standard.

The purpose of our strategy is to make sure we understand our assets, mainly our homes, and how they perform, plus manage them well in the future to make sure we get the very best return from them.

Understanding our assets

In March 2017, we owned and managed 9,698 homes for rent plus two Shared Ownership homes, having sold 41 properties through Right to Buy or Acquire schemes and demolished 36 properties as part of a major redevelopment programme.

Throughout the year, we re-let 961 of our homes.

Also in March 2017, we commissioned real estate specialists Jones Lang LaSalle Ltd to carry out a full inspection of our stock to determine its value. They visited 10% of our stock to calculate the Existing Use Value for Social Housing (EUV SH) which we submit to our funders Barclays Bank plc.

The sample was representative of the stock as a whole, in terms of location, building type and age. The value is the estimated amount for which a property should exchange for in an open market.

The valuation of our homes rose from £219.5m in March 2016 to £275.6m in March 2017.
The full valuation, based on property inspections, is carried out every five years although a desktop assessment is conducted annually.

Charged properties (charged to Barclays Bank plc)	Number of units	EUV-SH (£)
Social rented properties	9,376	256,450,000
Affordable rented properties	18	810,000
Social rented new build properties	13	640,000
Affordable rented new build properties	65	3,420,000
Properties awaiting demolition	11	0
Leasehold properties	281	0
Commercial interests	47	830,000*
Garages and sheds	1,675	2,450,000*
	Sub-total	264,600,000
Uncharged properties (Barclays do not hold a charge over)		
All uncharged properties (mixed tenure)	217	11,010,000
	Total	275,610,000

* Market rent
(Source: JLL Valuation of properties owned by Ongo Homes report, 31 March 2017)

Understanding our assets, and their worth, is the starting point for us to manage them properly. There are several ways in which we assess our assets and their worth.

- **Asset and liability register**
  This is a register of all our properties and land against which we record market value and charges.

- **Asset management system**
  Information about our stock is regularly updated on our Housing Management computer system, including data on the life-cycle of fixed components, such as heating systems, and their costs. This information is fed into our Business Plan to ensure we retain sufficient funds to maintain the assets. It also helps us plan future investment programmes. It is worth noting that we plan to invest in a new Asset Management System in 2017/18. This will bring together all our systems and improve our ability to maintain a stock asset and component database, manage investment and compliance, monitor sustainability of stock, forecast costs and manage health and safety compliance, SAP ratings, energy efficiency and stock condition.

- **Sustainability indices**
  We must make sure that the homes we own bring in more income than they cost to run. We use a Sustainability Index to measure the ongoing viability of our homes and estates. It contains a series of indicators to highlight where we should invest, and, just as importantly, what we should disinvest in, dispose of or convert. These indicators include costs, projected incomes, performance information such as ease of letting and even housing management data such as the occurance of anti-social behaviour. They are used to calculate the Net Present Value (NPV) of properties before decisions on their future are taken.

- **Regeneration & Sustainability Working Group**
  This is a group of staff who come together six times a year to discuss asset management, development plans and sustainability issues and the impact these decisions will have across the business, internally, and in communities, externally. The group uses data from the Sustainability Index to assess decisions and actions on the future of properties and estates.

- **External assurance**
  Each year a valuation of our stock is carried out and every five years external auditors conduct sample stock inspection. We also commission six-monthly audits on stock and component data, gas servicing, fire risks, asbestos management, water management, electrical testing and other assets such as lifts and street lighting.

Managing our assets

In order to manage our assets, our 2017 strategy sets out how we will:

- **Maintain a high standard of work and stock through excellent maintenance and investment services**

  We work closely with tenants to make sure the standard of our services is in line with their expectations and inspect their homes at least once every five years to check their condition. This helps us plan our cyclical maintenance programme. We also set out a replacement timeframe for certain components, such as electrical systems or kitchens, which in many cases is shorter than the Decent Homes recommended timeframe. This is because we believe early investment reduces costs in repairs, property turnover and customer complaints.

- **Maximise the energy efficiency of our homes**
It is our aim to achieve a minimum SAP rating of 65 on all our homes. This is the national standard for calculating the energy efficiency of properties and is recorded on a scale of one to 100. The higher the number the better. In March 2016, 97% of our homes achieved a SAP rating of 65 or higher. In fact, the average rating was 71.4. We are also removing inefficient heating systems and helping tenants learn how to be more energy conscious.

- **Ensure investment decisions provide the best financial return**
Each year, we provide board members with a report on the performance of our assets, their valuation and outcomes from our sustainability indices. We use the Net Present Value (NPV) calculation before all regeneration work and during the lettings process to make the right decisions about individual properties, whether that be investment, disposal or even change of tenure. We also carry out environmental improvements to increase the desirability of a place.

- **Ensure our homes continue to meet future need**
We work with North Lincolnshire Council and the Occupational Therapist Service to provide aids and adaptations to help our tenants stay living independently in our homes. We plan to extend this partnership work further, delivering specialist accommodation which is needed in North Lincolnshire in the future, and making sure our new build programmes deliver the right mix of homes.

- **Increase the number of homes we have.**
It is our aim to build 1,250 affordable homes for rent in the next ten years and continue to explore opportunities to build outside North Lincolnshire. In 2016/17 we completed the build, or acquired, 55 new homes, of which 51 were for let on affordable rents, two were for shared ownership and two were acquired for demolition as part of a wider regeneration programme. Of these, 10 were outside the North Lincolnshire boundary. We also started build on a further 227 homes, of which 104 are beyond the North Lincolnshire boundary.

CASE STUDY: Taking action for sustainability

We have a top ten list of areas where we are taking additional action to make sure they remain places people want to live and stay.

The list was drawn up from our Sustainability Index, which rates the long-term future of homes and estates, based on a number of factors, including lettings and arrears information and anti-social behaviour.

We have a team of staff from across lots of departments who have come up with an action plan to improve the future of these areas and increase the ability to attract long-standing tenants.

Each of the ten areas has its own plan, many of which include reducing the size of area looked after by a Housing Officer, taking proactive action to target anti-social behaviour and environmental issues, reviewing the needs of vulnerable tenants and introducing local lettings policies to create more sustainable tenancies.

John Lawrence, Head of Housing Management, said: "All our communities are different so expecting one approach to fit all is never going to work everywhere. By changing our approach and recognising the differing needs of areas, we have a much greater chance of making lasting change and delivering what communities, and tenants, need."

Our workforce

Our workforce is a major asset just as our homes are. It is our biggest cost too. Investing in the skills and knowledge of our employees, and supporting their health and wellbeing is a big part of us getting the most out of this valuable asset.

We carry out annual salary benchmarking through remuneration specialists Inbucon, to provide us with external assurance that our employees are rewarded fairly for the value they bring to the business.

Twenty-six employees were promoted internally, almost twice the number the previous year. Developing employees' career opportunities internally helps us sustain a high performing workforce and reduces recruitment costs.

However, a voluntary redundancy programme resulted in 20 people leaving Ongo Homes in 2016/17. This was part of a cost-saving drive to off-set the impact of the 1% rent reduction introduced that year.

Despite this, we retained gold accreditation from Investors in People, a further external assurance of the return on our investment in our workforce.

When compared to other housing associations, our performance is above average for staff sickness and turnover.

Human resources performance information					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Average days lost to staff sickness	7.9	7.3	10.6	7	6.9
Turnover of staff	13.2%	16.0%	12.5%	No target	12.53%
Number of internal promotions	26	14	11	No target	Not recorded

(Source: Ongo Homes Balanced Scorecard 2016/17)

Tracking our costs

Benchmarking ourselves against others

Understanding our costs helps us be efficient, but benchmarking our costs, and performance, allows us to see how we are positioned against other organisations, and where there is scope for further efficiencies.

Like most housing associations, we subscribe to HouseMark, a business intelligence company, which allows us to compare our costs and performance with other social housing providers.

In comparing like for like, we select peers based on what we are benchmarking, location and the characteristics of our services.

For the purposes of this statement, we have once again selected members of Placeshapers as our comparator group. Placeshapers is a network of housing associations which share our principle of being a locality-focused, values-driven organisation which puts customers at the centre of the business and gives them real influence.

We have selected 35 similar sized organisations, with between 5,000 and 15,000 homes.

Our benchmarking report was run on 26 August 2017 and we publish our results in the following pages.

We always re-run our benchmarking exercise in October every year to see if our position has changed and help us set appropriate, and competitive, budgets for the coming year.

Housing associations we benchmark against

Here is the list of housing associations we benchmark ourselves against, and their stock size.

Name of association	No of homes	Name of association	No of homes
Alliance Homes	6,031	Derwentside Homes	6,888
Bracknell Forest Homes	4,932	Freebridge Community Housing	6,851
Greenfields Community Housing	7,660	Merlin Housing Society	7,782
Fyln	8,476	Saxon Weald	5,602
Magenta Living	12,445	Severnside Housing	5,276
Poplar HARCA	6,197	Southway Housing Trust	5,050
Rochdale Boroughwide Housing	13,409	Bron Afon Community Housing	7,390
Shoreline Housing Partnership	7,955	Coast and Country Housing	10,402
Town and Country Housing Group	8,035	Community Gateway Association	6,165
Wythenshawe Community Housing Group	13,493	Havebury Housing Partnership	6,040
Onga	9,724	Ken Housing	10,943
Raven Housing Trust	5,131	Peaks and Plains Housing Trust	5,008
Selwood Housing	5,800	Phoenix Community Housing	5,369
Soha Housing	5,592	Regenda Group (The)	10,457
Aragon Housing Association	6,299	Saffron Housing Trust	5,295
CHP	7,507	Trafford Housing Trust	8,722
Cross Keys Homes	9,960	Wandle Housing Association	5,755

We use the following colours to symbolise our performance when compared to other housing associations.

Green indicates that our performance is in the top quartile

Yellow indicates that our performance is in the second quartile and above average

White indicates that our performance is average

Orange indicates that our performance is in the third quartile and below average

[illegible]

Maintenance and repairs services

It is our aim to maintain the highest customer satisfaction with our maintenance services and by 2020 we want to spend 5% less than the average on housing repairs.

Year on year we have reduced the amount we spend on repairs and have seen our benchmark position improve. A review of team structures, reduction in employee numbers, investment in multi-skilling staff and out-sourcing our stores facility have all contributed to reducing costs without negatively impacting on customer satisfaction, which continues to remain high.

Responsive repairs performance information					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Customer satisfaction with the repairs service	94%	95%	94%	96%	Not recorded
Customer satisfaction with quality of repairs	96%	96%	96%	97%	Not recorded
% of emergency work completed in target	98.9%	96.3%	98.5%	99.5%	Not recorded
Average number of repairs per property	2.8	3.4	3.5	No target	2.4
Average cost of a responsive repair	£122	£137	£144	No target	£108
Direct cost per property of repairs service	£261	£319	£413	No target	£306

(Source: HouseMark 25 August 2017)

Major work and cyclical maintenance
We have promised to invest in planned maintenance and major improvements so that we visit our homes to carry out repairs no more than three times a year – this is in line with top quartile performance.

We are achieving this. In 2016/17, we were carrying out an average of 2.8 repairs per property.

Major work performance information					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Customer satisfaction with quality of work	93%	96%	96%	96%	Not recorded
Customer satisfaction with the overall service	94%	97%	95%	96%	Not recorded
Customer satisfaction with quality of your home	93%	94%	91%	92%	90.25%
% of properties failing the Government's Decent Homes Standard	0%	0%	0%	0%	0%
Direct cost per property of major work	£689.30	£728	£1,513	No target	£697.79

(Source: HouseMark 25 August 2017)

Empty homes management

We are working hard to reduce the turnover of our homes, which, in turn reduces what we spend on empty homes.

In our 2020 plan, we aim to retain high customer satisfaction for the condition of our homes, but achieve this at the lowest costs. Our benchmarking position in 2016/17 shows we have delivered our service at average cost.

Empty homes performance information					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Direct cost per property	£175.39	£242.18	£234.06	No target	£146.87
Average cost of a void repair	£2,590	£2,080	£2,440	No target	£2,577
Average re-let time in calendar days	26	26	28.2	28	19.15
Customer satisfaction with the quality of their new home	84%	87%	85%	50%	Not recorded

(Source: HouseMark 25 August 2017)

Housing management

Our target is to maintain top quartile customer satisfaction for our housing management services and strive to deliver them at a cost which falls between the average and the third quartile when compared to our peer group.

Overall, we have achieved this in 2016, with our direct cost per property for the whole service reducing from £295 to £272.

A restructure of teams and reduction in staff numbers has contributed to the fall in costs across most areas of the service. Further action is being taken to review our processes and seek further efficiencies.

Housing management performance information					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Customer satisfaction in overall services	92.7%	94.2%	89.4%	96%	91.5%
Direct cost per property of all Housing Management services	£272.14	£294.56	£313	No target	£233.07
Direct cost per property of Resident Involvement services	£21.90	£25.00	£31.56	No target	£21.93
Direct cost per property of Anti-Social Behaviour services	[redacted]	£52.92	£56.05	No target	£29.81
Direct cost per property of Lettings services	£35.93	£46.41	£39	No target	£36.75
Direct cost per property of Tenancy Management	[redacted]	£95.65	£110.45	No target	£49.67

(Source: HouseMark 25 August 2017)

In June 2016, we invested £55k in RentSense and texting software which identifies tenants who fall into arrears in the first week, enabling instant engagement to recover the debt and support the tenant.

The aim was to reduce current tenant arrears from 2.2% to 1.85% in one year and generate savings equivalent to 2.44 full time posts.

Following implementation in October 2016, the reality so far has been a saving in staff time equivalent to 1.96 full time posts due to a reduction in caseload of 1,459 per week.

At the end of 2016/17, current rent arrears were at 2.57%, some of which is due to the impact of Universal Credit, so further work is needed to bring arrears down. The saving made in staff time through the investment in RentSense is being used to offset the increase in work that will be created by the roll-out of Universal Credit and other benefit changes.

Income management performance information					
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Current tenant rent arrears as % of debit	[redacted]	3.08%	3.66%	4%	2.23%
Current tenant rent arrears as % of debit (excluding Housing Benefit)	2.37%	2.00%	1.97%	2.5%	1.11%
Income collected as % of rent debit (including arrears brought forward)	[redacted]	95.79%	95.47%	98%	97.59%
Former tenant arrears as a % of debit	[redacted]	2.20%	2.00%	1.9%	0.70%
Direct cost per property of income collection services and arrears	£80.52	£75	£76	No target	£74.50
Bedroom tax as a % of current rent arrears	24.0%	24.4%	Not applicable	20%	Not recorded

(Source: HouseMark 25 August 2017)

Estate services

Our estate services are delivered at average cost, when compared to others, and customer satisfaction, although high, hasn't reached our target and has dipped slightly in 2016/17.
A review of our services was carried out in 2016/17, resulting in a more efficient structure and reduction of one post – a saving of £30k which will be realised from April 2017

Estate services performance information					
[illegible]	[illegible]	[illegible]	[illegible]	Target	[illegible]
Customers satisfied with their neighbourhood	88.4%	91.9%	80.1%	90.8%	89.7%
Direct cost per property of estate services	£141.68	£125.85	£124.24	No target	£111.33

(Source: HouseMark 25 August 2017)

Overheads

As a percentage of group turnover, our overheads have been reducing, however, it remains our aim to achieve upper quartile performance.

Most of our costs are currently below average. This is with the exception of our office premises which, although reducing, have costs still above average.

In 2017/18, we will be relocating to a brand new purpose built headquarters from an old, costly and inefficient building. Whilst we expect a short-term increase in costs to reinstate our current building to its original form, we anticipate our costs for office maintenance will significantly reduce over the longer term

Overhead costs, as a % of adjusted turnover				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Premises	1.3%	1.7%	1.3%	1.0%
ICT	2.4%	2.4%	3.1%	2.3%
Finance	1.5%	1.4%	1.6%	1.3%
Central services	4.8%	5.4%	4.9%	4.5%

(Source: HouseMark 25 August 2017)

CASE STUDY: Investing in technology

In 2016/17 we invested £208k in a new finance system to replace a system which was no longer fit for purpose. We had been operating an old system which didn't properly integrate with all the parts of our business and failed to report real-time data. It was also inefficient, requiring lots of manual processes and failed to produce adequate reports to challenge and improve performance

Other significant IT investments included

- The implementation of RentSense to help us predict, and address early, potential arrears cases.
- A full desktop equipment refresh to enable staff to work in a more agile way
- The procurement of an online tenant portal which will be implemented in 2017 and which will enable tenants to access their accounts online, raise repair requests and make payments.

Head of IT Mat Ashmore said: "IT projects can come at a high cost, but we are careful to make sure we invest in the right systems which we can be confident will deliver longer term benefits for the business and our tenants.

"Our customers and our staff expect to be able to transact online nowadays and the more we can use IT to strip down cumbersome, paper-based processes and replace them with more efficient digital systems the better it is for us and for the environment."

CASE STUDY: IT in the community

We use our internal IT expertise to benefit our communities as well as our staff.

In 2016 we connected a community centre in Barton-upon-Humber to our Ongo guest wifi network. This means that not only can our staff log on to their systems when they are working remotely but local residents can access free and reliable internet connectivity.

A secure guest network means our partners, such as the police, health or council, can log on from the community centre too.

We refurbished eight laptops and gifted them to the centre for training and public access.

Future plans

We can say, with some confidence, that Value for Money is embedded across our organisation, with everyone, from Board members to frontline staff playing their part in delivering more value year on year.

At the time of writing this statement, we were almost two years into our 2020 plan and our operating environment has changed significantly.

We have a minority Government and the impending Brexit brings its own level of uncertainties – financially, legally and politically.

And the devastating fatal fire at Grenfell Tower, in London, in June 2017 will inevitably lead to changes in regulations.

As a direct response, we have already pledged to fit sprinkler systems to our four high-rise buildings at an estimated cost of £600k.

We will be carrying out a review of our 2020 plan to ensure that we reposition our organisation, if we need to, to meet existing and new challenges.

We will be also changing our approach to future savings, replacing a target-driven demand for savings, with a new approach to process re-engineering. This means that we will be looking at each of our processes – from end to end – to identify where they can be reduced, improved and made more efficient with the right systems and people.

This starts with our Tenancy First project.

Tenancy First is about adjusting our approach as a landlord so that we are not just sustaining tenancies, but rather creating sustainable tenancies with tenants who pay their rent on time and in full, keep their home in good order and are accountable if they don't.

This will involve changes to our procedures and our conversations.

Our investment in digital services will also continue as we introduce more web services so that tenants can self-serve with confidence and rely less on face to face and telephone conversations.

A final word from our Chair Matthew Spittles

It has been another successful year for Ongo Homes and it was great to start the 2016/17 financial year with a governance upgrade, following re-inspection, having delivered a detailed improvement plan.

There are strong foundations in place at both board and senior staff level to support continued improvement in the organisation.

Particularly pleasing has been the delivery of high performing services to customers despite a more challenging operating environment and with a continued focus on cost-effectiveness in how those services are delivered.

Our efforts to refine, evolve and improve are demonstrated across a range of service areas, from understanding our assets to managing the impact of welfare reform.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONGO HOMES LIMITED

We have audited the financial statements of Ongo Homes Limited for the year ended 31 March 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter – basis of preparation

We draw attention to note 1 which explains that, as a consequence of the conversion of the company to a co-operative and community benefit society (the CBS) planned for 1 October 2017, the company, as a legal entity, is no longer considered to be a going concern. The note explains that the financial statements have therefore been prepared on a basis other than that of a going concern albeit with the expectation of continuing business as a CBS. The note also explains the expected impact of the use of the alternative basis on the financial statements. Our opinion is not modified in this respect.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

BDO LLP

Linda Cooper (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Leeds
Date 19 September 2017

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of comprehensive income
for the year ended 31 March 2017

	Note	Continuing operations 2017 £'000	Continuing operations 2016 £'000
Turnover	3	44,771	45,917
Operating costs	4	(31,882)	(32,759)
Surplus on sale of properties not developed for outright sale	6	1,354	1,109
Operating surplus		14,243	14,267
Other interest receivable and similar income		70	64
Interest payable and similar charges	9	(2,800)	(2,879)
Other finance costs	10	(98)	(419)
Gift Aid		50	47
Surplus on ordinary activities before taxation		11,465	11,080
Taxation on surplus on ordinary activities	11	(19)	(45)
Surplus for the financial year		11,446	11,035
Actuarial (losses)/gains on defined benefit pension scheme		(7,010)	10,518
Total comprehensive income for year		4,436	21,553

The notes on pages 40 to 57 form part of these financial statements.

Balance sheet
at 31 March 2017

Company Number 5439434	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Fixed assets					
Tangible fixed assets:					
Housing properties			160,260		156,880
Other			136		170
	12		160,396		157,050
Current assets					
Debtors	13	2,779		2,521	
Cash at bank and in hand		27,755		18,539	
		30,534		21,060	
Creditors: amounts falling due within one year	14	(6,184)		(5,118)	
Net current assets			24,350		15,942
Total assets less current liabilities			184,746		172,992
Creditors: amounts falling due after more than one year	15		(113,492)		(113,073)
Provisions for liabilities	17		(70)		(60)
Net assets excluding pension liability			71,184		59,859
Pension liability	18		(9,793)		(2,904)
Net assets			61,391		56,955
Capital and reserves					
Revenue reserves			61,391		56,955

The financial statements were approved by the Board of Directors and authorised for issue on 17th August 2017.

M Spittles
Director

A Orrey
Chief Executive

The notes on pages 40 to 57 form part of these financial statements.

Statement of changes in equity
For the year ended 31 March 2017

	Revenue Reserve £'000	Total Equity £'000
1 April 2016	**56,955**	**56,955**
Comprehensive income for the year		
Surplus for the year	11,446	11,446
Actuarial loss on pension scheme	(7,010)	(7,010)
Other comprehensive income for the year	(7,010)	(7,010)
Total comprehensive income for the year	4,436	4,436
31 March 2017	61,391	61,391

Statement of changes in equity *(continued)*
For the year ended 31 March 2016

	Revenue Reserve £'000	Total Equity £'000
1 April 2015	**35,402**	**35,402**
Comprehensive income for the year		
Surplus for the year	11,035	11,035
Actuarial gains/(losses) on pension scheme	10,518	10,518
Other comprehensive income for the year	10,518	10,518
Total comprehensive income for the year	**21,553**	**21,553**
31 March 2016	56,955	56,955

The notes on pages 40 to 57 form part of these financial statements.

Orpu Homes Limited

Statement of cash flows
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Cash flows from operating activities			
Profit for the financial year		11,446	11,035
Adjustments for:			
Depreciation of fixed assets – housing properties	12	9,429	9,905
Depreciation and amortisation of other fixed assets		36	335
Amortisation of grants	15	(2,343)	(2,310)
Net fair value losses/(gains) recognised in profit or loss	6	(1,364)	(1,159)
Net interest payable/(receivable)		2,729	3,234
Taxation expense	11	19	45
Difference between net pension expense and cash contribution		(121)	255
Decrease/(increase) in trade and other debtors		(258)	(812)
Decrease/(increase) in stocks		-	-
Increase/(decrease) in trade and other creditors		1,484	(116)
Cash from operations		21,056	19,459
Interest paid		(2,800)	(3,298)
Taxation paid		-	-
Net cash generated from operating activities		18,266	16,161
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets	6	1,867	1,625
Purchases of tangible fixed assets	12	(13,707)	(9,539)
Purchases of intangible assets		-	-
Receipt of government grant	15	2,718	1,240
Interest received		71	54
Investment loan repayment		-	40
Investment in associated undertaking		-	-
Net cash from investing activities		(9,051)	(6,570)
Cash flows from financing activities		-	
Net increase/(decrease) in cash and cash equivalents		9,217	9,585
Cash and cash equivalents at beginning of year		18,538	8,947
Cash and cash equivalents at end of year		27,755	18,532
Cash and cash equivalents comprise:			
Cash at bank and in hand		27,755	18,538
Bank overdrafts	14	-	(6)
		27,755	18,532

The notes on page 40 to 57 form part of these financial statements

INDEX OF NOTES

General notes

P&L related notes

Balance sheet related notes

1 Significant accounting policies

Ongo Homes Limited is a company incorporated in England & Wales under the Companies Act 2006 and is registered with the Homes and Community Agency (HCA) as a Registered Provider. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the strategic report.

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Ongo Homes Limited includes the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing in England 2015, FRS 102 "the Financial reporting Standard applicable in the United Kingdom and the Republic of Ireland" and the Statement of Recommended Practice (SORP) for Registered Social Housing providers 2014 "Accounting by registered social housing providers" 2014.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires company management to exercise judgement in applying the Group's accounting policies.

Basis of preparation

After the balance sheet date, the company has obtained approval to convert to a co-operative and community benefit society ("CBS") which it hopes to achieve by 1 October 2017. Legally the conversation process results in the formation of a new entity (The CBS), the transfer of the existing trade and net assets and the subsequent dissolution of the company.

As a consequence, the continuing business of this company will cease as at the date of conversion albeit the business of the company is expected to continue as part of the CBS. As a consequence of the cessation of trade, the company, as a legal entity, is therefore no longer considered to be a going concern. The financial statements have therefore been prepared on a basis other than that of a going concern. This has resulted in no significant change to the presentation, classification or valuation of the related assets and liabilities.

Turnover

Turnover comprises rental, service charge and support charge income receivable in the year and other income and revenue grants receivable in the year.
Rental Income is recognised from the point where properties are formally let.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The association adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the association. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

1 Significant accounting policies *(continued)*

Depreciation

Land is not depreciated.
Housing properties are split between the structure and the major components which require periodic replacement. The costs of replacement or restoration of these components are capitalised and depreciated over the determined average useful economic life as follows.

Description	Economic useful life (years)
Housing Improvements	5 - 60
Structure	125
Kitchen	20
Bathroom	30
Roofs (pitched)	70
Roofs (flat)	20
External doors	30
Boiler	15
Electrics	40
External windows	40
Mechanical systems	20
Communal (including Lifts)	20

Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. The estimated useful lives range as follows:

Plant, machinery and vehicles	-	2 - 100 years
Fixtures, fittings, tools and equipment	-	4 - 20 years
Computers	-	2 - 3 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Computers are included within fixtures, fittings, tools and equipment.

Works to existing housing properties

The association capitalises expenditure on housing properties which increases the net rental stream over the life of the property. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension of the life of the property.

Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

1 Significant accounting policies ***(continued)***

Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Statement of comprehensive income at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in 'turnover' within Statement of comprehensive income in the same period as the related expenditure.

The association has not directly benefited from any other forms of government assistance.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest rate method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Current and deferred taxation

The tax expense for the period comprises only current, and not, deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are not recognised in respect of any timing differences that have originated but not reversed by the balance sheet date.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1 Significant accounting policies *(continued)*

Value Added Tax

The Company is registered for VAT and reclaims VAT on most inputs using the standard partial exemption method. The majority of the association income is derived from rental income which is "exempt output" for VAT purposes and restricts our ability to reclaim VAT input tax in full.

Leases

All leases are treated as operating leases. Their annual rentals are credited to profit or loss on a straight-line basis over the term of the lease.

Pension costs

Contributions to the group's defined contribution pension scheme are charged to profit or loss in the year in which they become payable.

The association participates in the multi employer Local Government Pension Scheme 'East Riding Pension Fund', a group defined benefit pension plan. There is a stated policy for charging the net defined benefit scheme between those group companies that are a party to the scheme and hence a proportion of the defined benefit scheme assets, liabilities, income and costs are recognised by individual group companies in accordance with that policy.

The difference between the fair value of the assets held in the Association's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the association's balance sheet as a pension asset or liability as appropriate. The carrying value of any resulting pension scheme asset is restricted to the extent that the association is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Service charge sinking funds

Service charge sinking funds are dealt with as creditors due within one year.

Support income and costs including Supporting People income and costs

Supporting People (SP) contract income received from Administering Authorities is accounted for as "Support Charges" in the turnover note 4. The related support costs are matched against this income in the same note. This contract came to an end in June 17, hence the fall in income compared to the previous period. As the contract was winding down, most of the staff had been redeployed or made redundant meaning the contract was run on a skeleton staff and covered by others within the customer service team. There have been other (minimal) costs that have been absorbed within operating costs of social housing lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are also shown as "Support Charges" within Social Housing Activities.

Support charges included in the rent charge are included in the "Rents" within "Social Housing Activities" in the same note and are matched against the relevant costs.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash generating unit, the viability and expected future performance of that unit.

- The critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation, such as standard rates of inflation, mortality, discount rates and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.

Other key sources of estimation uncertainty

- *Tangible fixed assets (see note 12)*

  Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.
  For Housing property assets the assets are broken down into components based on the management's assessment of the properties. Individual useful economic lives are assigned to these components.

- Rental and other trade Receivables (see note 13)

  The estimate for receivables relates to the recoverability of balances outstanding at year end, with provisions for doubtful debt made in accordance with agreed policy.

3 Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover 2017 £'000	Operating Costs 2017 £'000	Operating surplus (deficit) 2017 £'000
Social housing lettings (Note 4)	40,206	(29,493)	10,713
Other Social Housing Activities			
Charges for support services	756	(1,786)	(1,030)
Supporting people	54	(6)	48
Other	595	(595)	-
Amortised grant	2,343		2,343
Non Amortised grants	63		63
	44,019	(31,882)	12,137
Activities other than Social Housing Activities			
Lettings	179		179
Other	573		573
	752		752
	44,771	(31,882)	12,889

	Turnover 2016 £'000	Operating Costs 2016 £'000	Operating surplus (deficit) 2016 £'000
Social housing lettings (Note 4)	41,062	(29,953)	11,109
Other Social Housing Activities			
Charges for support services	641	(1,732)	(1,091)
Supporting people	363	(921)	(558)
Other	153	(153)	
Amortised grant	2,310	-	2,310
	44,529	(32,759)	11,770
Activities other than Social Housing Activities			
Lettings	399		399
Other	989	-	989
	1,388	-	1,388
	45,917	(32,759)	13,158

4 Income and expenditure from social housing lettings

	General Needs £'000	Older & Supported £'000	Affordable £'000	**Total 2017 £'000**	Total 2016 £'000
Income					
Rents net of identifiable service charges	39,112	87	1,007	**40,206**	41,062
Service charge income	758	-	-	**758**	641
Support charges	-	54	-	**54**	363
Amortised government grants	2,278	6	59	**2,343**	2,310
Non Amortised Grants	63	-	-	**63**	-
Tenant recharges	596	-	-	**595**	153
Turnover from social housing lettings	42,807	148	1,066	**44,019**	44,529
Expenditure					
Management	4,740	11	122	**4,873**	6,180
Service charge costs	1,739	4	45	**1,788**	471
Routine maintenance	5,310	-	-	**5,310**	6,499
Planned maintenance	1,526	-	-	**1,526**	1,446
Major repairs expenditure	2,499	-	-	**2,499**	2,941
Bad debts	134	-	-	**134**	423
Depreciation of housing properties	9,207	20	237	**9,464**	8,903
Support charges	-	873	-	**873**	921
Group recharges	5,267	12	136	**5,416**	4,972
Operating expenditure on social housing lettings	30,422	920	540	**31,882**	32,759
Operating surplus/(deficit) on social housing lettings	**12,385**	**(774)**	**526**	**12,137**	**11,770**
Void losses	402	1	10	413	436

5 Operating surplus

	2017 £'000	2016 £'000
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	9,464	8,937
Impairment of tangible fixed assets	-	
Operating lease expense	316	306
Fees payable to the company's auditor and its associates for other services to the company: Taxation compliance services	36	18

All fees for the audit of the company's annual accounts are paid by the ultimate parent company of the Group

6 Other operating income - Sale of Properties not Developed for Outright Sale

2016/17

	RTB Sales £'000	Cost of Sales £'000	Total £'000
Proceeds of Sales	1,869	(513)	1,356
Disposal costs	(2)	-	(2)
Surplus	1,867	(513)	1,354

2015/16

	RTB Sales £'000	Cost of Sales £'000	Total £'000
Proceeds of Sales	1,643	(515)	1,128
Less Costs of Sale	(19)	-	(19)
Surplus	1,624	(515)	1,109

7 Employees

	2017 £'000	2016 £'000
Staff costs (excluding directors who are paid by the group) consist of:		
Wages and salaries	5,554	5,976
Social security costs	576	473
Cost of defined benefit scheme (see note 18)	1,729	1,754
Cost of defined contribution scheme	100	100
	7,959	8,303

7 Employees (continued)

The average number of employees (excluding directors) during the year was as follows:

	2017 Number	2016 Number
Wardens, caretakers and cleaners	25	35
Craft	49	57
Administration	176	153
	250	245

A defined contribution pension scheme is operated by Ongo Partnership on behalf of the employees of all the Ongo group subsidiary undertakings. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £47k (2016 - £54k). The reduction is a result of a number of employees transferring to the defined benefit scheme in January 2016. This resulted in a reduction of members of the defined contribution scheme in 2016/17. Contributions amounting to £4k (2016 - £4k) were payable to the fund at year end and are included in creditors.

The remuneration paid to staff (including executive management) earning over £60,000 upwards is as follows:

Full time equivalents of staff paid from £60,000	2017 FTE	2016 FTE
Banding		
£60,000-£69,999	1.00	1.00
£70,000-£79,999	-	-
£80,000-£89,999	-	-
£90,000-£99,999	-	-
£100,000-£109,999	-	-
£110,000-£119,999	-	-
£120,000-£129,999	-	-
£130,000-£139,999	-	

8 Directors' remuneration

	2017 £'000	2016 £'000
Directors' emoluments (Paid by Ongo Partnership Limited)	699,483	577,496
Company contributions to money purchase pension schemes	122,426	111,938
Amounts paid to Ongo Partnership in respect of directors' services	644,444	620,808

Directors' costs are paid by Ongo Partnership Limited and the relevant portion is recharged to Ongo Homes (with a mark up) through their management fee.

There were no directors in the group's defined contribution pension scheme (2016 - 0). All four directors accrued benefits under the group's defined benefit pension scheme during the year (2016 - 4).

Emoluments of the Chief Executive, who was also the highest paid director, were £145,277 (2016 - £144,571). Company pension contributions of £37,098 (2016 - £36,823) were made to a defined benefit scheme on his behalf. As a member of the LGPS pension scheme, the pension entitlement of the Chief Executive is identical to that of other members with no enhanced or special terms applying.

Notes forming part of the financial statements
for the year ended 31 March 2017 ***(continued)***

9 Interest payable and similar charges

	2017 £'000	2016 £'000
Interest on bank loans and overdrafts	2,800	2,879

10 Other finance costs

	2017 £'000	2016 £'000
Net interest on net defined benefit pension liability	96	419

11 Taxation on profit on ordinary activites

Ongo Homes Limited is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, this company has 'charitable status' and is potentially exempt from taxation in respect of income and capital gains arising from certain categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Deferred tax balances are not recognised

UK corporation tax	2017 £'000	2016 £'000
Current tax on profits of the year	19	17
Adjustment in respect of previous periods	-	28
Total current tax	19	45
Taxation on profit on ordinary activities	19	45

The tax assessed for the year is lower than the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2017 £'000	2016 £'000
Profits on ordinary activities liable to tax	11,465	11,319
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20 % (2016 - 20%)	2,293	2,263
Effects of:		
Income not taxable	(2,274)	(2,246)
Adjustment to tax charge in respect of previous period	-	28
Total tax charge for period	19	45

12 Tangible fixed assets

	Freehold Housing Land and buildings £'000	Plant, machinery and vehicles £'000	Fixtures, fittings, tools and equipment £'000	Total £'000
Cost or valuation				
At 1 April 2016	206,510	1,936	481	208,927
Additions	13,707	-	-	13,707
Disposals	(1,313)	-	-	(1,313)
At 31 March 2017	**218,904**	**1,936**	**481**	**221,321**
Depreciation				
At 1 April 2016	(49,630)	(1,932)	(314)	(51,876)
Provision for year	(9,429)	(3)	(32)	(9,464)
Disposals	415	-	-	415
Impairment		-		-
At 31 March 2017	**(58,644)**	**(1,935)**	**(346)**	**(60,925)**
Net book value				
At 31 March 2017	**160,260**	**1**	**135**	**160,396**
At 31 March 2016	156,880	4	167	157,051

A summary of the unit mix of freehold housing is as follows:

Accommodation in Management at 31 March	2017	2016
	Units	Units
General needs	9,436	8,977
Supported Housing / Housing for older people	10	488
Affordable rent	241	196
Intermediate Rent	2	6
Empty (awaiting demolition or redevelopment)	11	53
	9,700	9,720

12 Tangible fixed assets *(continued)*

The net book value of the housing stock may be further analysed as follows

Cost	Complete Housing for letting £'000	Property under construction £'000	Total £'000
At start of the period	200,303	6,207	206,510
Additions	8,714	4,993	13,707
Disposals	(1,313)		(1,313)
Transfer between categories	5,664	(5,664)	
	213,368	5,536	218,904
Depreciation			
At start of the period	(49,354)	(276)	(49,630)
Additions	(9,429)	-	(9,429)
Disposals	415	-	415
Transfer between categories	(276)	276	-
	(58,644)		(58,644)
Net Book Value at end of period	154,724	5,536	160,260
Net Book Value at start of period	150,949	5,931	156,880

13 Debtors

	2017 £'000	2016 £'000
Trade debtors	4,587	3,054
Provision for bad & doubtful debts	(2,268)	(1,693)
Amounts owed by group undertakings		168
Other debtors	109	126
Prepayments and accrued income	351	866
	2,779	2,521

All amounts shown under debtors fall due for payment within one year

14 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Bank overdrafts (secured)	-	6
Payments received on account	758	738
Trade creditors	195	185
Amounts owed to group undertakings	220	
Corporation tax	16	45
Taxation and social security	170	149
Accruals and deferred income	4,349	3,625
Other creditors	476	370
	6,184	5,118

The bank overdrafts are secured by a floating charge over the assets of the association.

15 Creditors: amounts falling due after more than one year

	2017 £'000	2016 £'000
Bank Loans	71,000	71,000
Less: Loan Issue Costs	(875)	(919)
Bank loans	70,125	70,081
Deferred Capital Grants	43,367	42,992
	113,492	113,073
Deferred Capital Grants are summarised below:		
At start of the year	42,992	44,061
Grants received during the year	2,718	1,240
Released to income during the year	(2,343)	(2,309)
At end of the year	43,367	42,992

The maturity of sources of debt finance is as follows

	Bank Loans and Overdrafts 2017 £'000	Bank Loans and Overdrafts 2016 £'000
In one year or less, or on demand	0	6
In more than one year but not more than two years	0	0
In more than two years but not more than five years	0	0
In more than five years	70,125	70,075
	70,125	70,081

The bank loans are secured by specific charges over the association's housing properties and floating charges on all of the association's assets and are repayable at varying rates of interest

16 Financial Instruments

The Company's financial instruments may be analysed as follows:

	2017 £'000	2016 £'000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**32,451**	1,655
Financial liabilities		
Financial liabilities measured at amortised cost	**75,146**	74,464

Financial assets measured at amortised cost comprise cash, trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank loans and overdrafts, trade creditors, other creditors and accruals.

Information regarding the group's exposure to and management of credit risk, liquidity risk, market risk, cash flow interest rate risk, and foreign exchange risk is included in the Directors' report.

17 Provisions for liabilities

	Dilapidations £'000	Total £'000
At 1 April 2016		
Charged to profit or loss	60	60
Charged to other comprehensive income	10	10
At 31 March 2017	**70**	**70**

Dilapidations provisions relate to re-instating office premises to their original condition at the end of the operating lease. The lease currently has in excess of 5 years to completion and early termination is not currently expected

18 Pensions

Two pension schemes are operated by the association

Defined contribution pension scheme (Aviva)

This scheme, which commenced in 2012 is open to all staff employed by the association. The assets are held independently in a separately administered fund. The pension cost for this scheme, which reflects contributions payable at rates specified in the rules of the plan, was £46,720

Defined benefit pension scheme (LGPS)

The association participates in the multi employer Local Government Pension Scheme, 'East Riding Pension Fund', a final salary scheme, which was established under an Irrevocable Deed of Trust. The Deed determines the appointment of trustees to the fund. The scheme is managed by a corporate trustee accountable to the pension scheme members. The trustees of the fund are required to act in the best interests of the beneficiaries.

On 31 March 2017 there were 191 employees of the association in the LGPS. This scheme is only offered to new employees who are already members of the scheme through previous other employment

Pension benefits depend upon age, length of service and salary level.

A full actuarial valuation of the defined benefit scheme was carried out at 31 December 2012 and updated to 31 March 2017 (and 2016) by a qualified independent actuary. Contributions to the scheme are made by the company based on the advice of the actuary and with the aim of making good any deficit over the remaining working life of the employees.

There were no changes to the scheme during the year and no amounts owing to the scheme at the year end

	2017 £'000	2016 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	36,856	47,125
Current service cost	1,606	1,742
Interest cost	1,382	1,531
Actuarial gains	-	-
Benefits paid	(848)	(797)
Participant contributions	451	416
Changes in financial assumptions	11,146	(10,872)
Other experience	1,812	(304)
Past service costs	123	12
Changes in demographic assumptions	(746)	-
At the end of the year	53,780	36,856

18 Pensions *(continued)*

Reconciliation of fair value of plan assets	2017 £'000	2016 £'000
At the beginning of the year	35,952	33,961
Interest income on plan assets	1,264	1,112
Contributions by group	2,399	2,334
Return on assets (excluding amounts included in net interest	(843)	(718)
Benefits paid	5,200	(737)
At the end of the year	43,987	35,952
Net pension scheme liability	(9,793)	(2,904)

Amounts recognised in the profit and loss account are as follows.		
Included in administrative expenses:		
Current service cost	1,606	1,742
Past service cost	123	12
	1,729	1,754
Amounts included in other finance costs		
Net interest cost	98	419
Analysis of actuarial (gain)/loss recognised in other comprehensive income		
Actual return less interest income included in net interest income	(5,200)	718
Experience gains and losses arising on the scheme liabilities	1,812	(364)
Changes in assumptions underlying the present value of the scheme liabilities	11,146	(10,872)
Changes in demographic assumptions	(748)	
	7,010	(10,518)

Composition of plan assets	2017 £'000	2016 £'000
European equities	33,430	26,964
European bonds	4,399	3,595
Property	4,839	4,314
Cash	1,320	1,079
Total plan assets	43,988	35,952
Actual return on plan assets	2,338	2,334

18 Pensions *(continued)*

	2017 %	2016 %
Principal actuarial assumptions used at the balance sheet date		
Discount rates	2.6	3.5
Future salary increases	2.0	1.9
Future pension increases	-	-
Inflation assumption	2.4	2.2
Mortality rates		
- for a male aged 65 now	22yrs	22yrs
- at 65 for a male member aged 45 now	22yrs	22yrs
- for a female aged 65 now	24yrs	24yrs
- at 65 for a female member aged 45 now	24yrs	24yrs

19 Share capital

The Company is limited by Guarantee and does not issue shares

20 Commitments under operating leases

The association had lease payments under non cancellable operating leases as set out below:

	Land & buildings	Equipment	Vehicles	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000
In 1 year	48	-	266	314	209
In 2 years	48	-	124	172	147
In years 3 to 5	144	-	146	290	235
After five years	127	-	-	127	137
	367	-	536	903	729

21 Related party disclosures

The ultimate controlling party is Ongo Partnership Limited and its consolidated accounts are available to the public from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Other than transactions with the group parent and other group subsidiaries, the association does not believe it has any 'Related Parties' and therefore no Sales were made during the year to related parties

One Board member is a tenant of the association. Tenant Board Members have a standard tenancy agreement and they are required to fulfil the same obligations and receive the same benefits as other residents. They cannot use their position to their advantage.

22 Capital commitments

	2017 £'000	2016 £'000
Contracted but not provided for	**25,402**	4,616
Authorised but not contracted for	**10,928**	15,578

The Company Expects these commitments to be financed with:

	2017 £'000	2016 £'000
Grants	**5,484**	2,719
Internal Funding	**30,846**	17,475
	36,330	20,194