Ongo Homes

Report and Financial Statements

Year Ended

31 March 2020

FCA Registration Number 7639

Regulator of Social Housing Registration Number L4486

Ongo Homes

Report and financial statements
for the year ended 31 March 2020

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Ongo Homes

Executives & Advisors
for the year ended 31 March 2020

Board Members

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

H Lennon	
R Pometsey	(resigned 31 December 2019)
M Spittles	(resigned 31 December 2019)
J Wright	(appointed 19 June 2019)
S Hepworth	(appointed 29 November 2019)
N Cresswell	(appointed 24 January 2020)
P Gouldthorpe	(appointed 24 January 2020)

M Kenyon
E Cook
T Mills
R Walder (appointed 24 January 2020)
R Cook (appointed 24 January 2020)
M Finister-Smith (appointed 24 January 2020)

Executive leadership team:	Chief Executive	S Hepworth
	Property Director	P Stones
	Director of Resource and Commercial	A Harrison
	Director of Corporate & Compliance Services	J Sugden
	Director of Communities	K Hornsby

Secretary and registered office: J Sugden

Ongo House, High Street, Scunthorpe, North Lincolnshire, DN15 6AT

Auditors:

BDO LLP
Central Square
29 Wellington Street
Leeds LS1 4DL

Bankers:

Barclays Bank plc
One Snowhill
Snow Hill Queensway
Birmingham B4 6GN

Solicitors:

Croftons Solicitors LLP
The Lexicon
Mount Street
Manchester
NE1 3DX

Forbes Solicitors
Rutherford House
4 Wellington Street (St Johns)
Blackburn
BB1 8DD

Bermans
Exchange Station
Titheburn Street
Liverpool
L2 2QP

Trowers and Hamlins
55 Princess Street
Manchester
M2 4EW

Whiteheads Solicitors
6 Water Street
Newcastle
ST5 1HR

Nature of Business

Ongo Homes Limited ("Ongo Homes") is a charitable Community Benefit Society (CBS) regulated by the Financial Conduct Authority (FCA) and a Registered Provider of social housing regulated by the Regulator of Social Housing.

It is a wholly-owned subsidiary of Ongo Partnership Limited which is not a Registered Provider with the Regulator of Social Housing.

The corporate structure of the Ongo group is clearly defined and the relationship between this CBS, 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 CBS 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 hold any interests in the capital of this CBS, or of Ongo Partnership Limited.

Executive Management Team members act as executives within the authority delegated by the Board. The Chief Executive was appointed as a Board Member on 29 November 2019. The CBS' 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 month notice period, but are otherwise employed on the same terms as other staff.

The Executive Directors are all members of either the East Riding Pension Fund, a final salary pension scheme, or the defined contribution scheme provided for the Employees, currently through Aviva. They contribute on the same terms as all other eligible staff and the CBS contributes to the schemes on behalf of its employees.

Financial Statements

The Board present their report and audited Financial Statements of the CBS for the year ended 31 March 2020.

Results

The CBS made an operating surplus of £11.3m for the year (2019 - £12.1m). This result exceeded that included in the approved budget and business plan for 2019-20 and the Directors consider this to be an acceptable performance.

Reserves

Revenue reserves total £97.6m at the year-end (2019 - £82.8m). The business plan dictates that these reserves will be utilised for the furtherance or the stated corporate objectives.

External Factors

We carry out extensive sensitivity and combined stress scenario testing of the business plan. This includes identification of a range of mitigating actions which could be taken upon onset of the identified, or other, factors which may have a detrimental impact on the financial position of the business. When applied to the stress tests carried out these mitigating measures show that the business is in a position to operate sustainably and within our financial covenants.

Going Concern

The Financial Statements are prepared on a going concern basis, as the Board is satisfied that the CBS 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. The sensitivity and stress testing applied to the business plan has included various possible impacts of both Covid-19 and Brexit. In all cases, both individual and in the combined scenarios the mitigating actions available to the business are sufficient to ensure a viable ongoing financial position.

Governance

Ongo Homes holds the highest rating available for financial viability (V1) and is graded as G3 for governance. A Voluntary Undertaking and Action Plan have been agreed with the Regulator and these are now over 90% complete. A full external governance review was undertaken during 2019 which resulted in a number of changes being made to our governance structure. These changes came into effect on 1 January 2020 and included a new Group Common Board which acts for Ongo Homes Ltd and Ongo Partnership Ltd. This, and the other changes introduced are designed to strengthen Ongo Homes' governance and deliver the highest levels of governance.

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

The board members are responsible for preparing the report of the board, the strategic report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2018 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the CBS will continue in business.

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the CBS's transactions and disclose with reasonable accuracy at any time the financial position of the CBS and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act of 2014. They are also responsible for safeguarding the assets of the CBS and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2018.

Financial statements are published on the CBS's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the CBS's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

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

The Board is ultimately responsible for the CBS'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 CBS 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 CBS 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

Strategic Risk

Throughout 2019-20 we have worked hard to strengthen our governance and risk management arrangements. This has involved a full revision of our Risk Management Framework and our Strategic and Operational Risk Registers.

The new Risk Management Framework and Strategic Risk Registers were approved by Board in September 2019. To test the effectiveness of our Risk Management Framework, an internal audit was undertaken to provide assurance that systems are in place. In April 2020 we received the final internal audit report, providing substantial assurance.

Operating Environment and Risk Management

The management of risk is essential in ensuring we meet our Corporate Objectives and remain legally and regulatory compliant. Our Risk Management Framework follows the principles of ISO 31000:2018 standard, ensuring that risk management is embedded throughout the organisation.

To help identify emerging risks, we assess the external and internal environments using a variety of tools and techniques. Our performance management framework runs in line with our risk management framework to help identify areas of concern or emerging risks. We have a suite of key risk indicators (KRIs) which provide intelligence on the key areas of risk facing our business and act as early warning indicators. Our key financial ratios and stress testing indictors are monitored monthly in our management accounts. We also map the annual Sector Risk Profile with our existing risk registers as a comparison aid.

Each year we stress test our business plan from our strategic risk register. Our Boards have an active role in developing additional scenarios and agreeing on multivariate scenarios based on likelihood and onset.

The external operating environment provided a number of significant challenges in 2019-20, including economic and political uncertainty. Different scenarios were tested using the Bank of England and internal assumptions. A recovery plan was approved by Common Board in March 2020 to mitigate the financial impact on our business plan.

The risk landscape changed significantly at the end of the financial year, with the impact of the Covid 19 Pandemic. Covid 19 created substantial challenges and new risks, whilst also increased the likelihood of existing risks. As with the rest of the country, we will continually review the situational and manage the recovery.

Each of the strategic risks below are fully assessed to identify the cause and consequence of the risk occurring. A likelihood and impact score has been applied before and after reviewing current controls in place. The risks are reviewed at each Board meeting seeking assurance to understand the wider strategic impact and to inform the decision-making process. Additional deep dives are carried out at our Group Audit and Risk Committee. The table below provides a brief overview of the position at 31 March 2020 with details of the 2020/21 challenges:

Strategic Risk Header	Link to Corporate Objective	Status	Direction of travel	Risk management and internal control 2019-20
Health and safety	• Be a great landlord • Offer quality homes • Create opportunities		Stable	A breach in our Health and Safety obligations would have a significant financial and reputational impact and depending on the breach, the lives of those involved. In 2019-20 we reviewed our Health and Safety policy and arrangements to ensure they meet our ongoing needs. This supports our aim of continuous improvement and constructive challenge. The changes will be audited in 2020-21. We continue to monitor changes within building safety and the implications of the Grenfell Inquiry reports. Compliance with our landlord obligations are monitored closely and reported to Board at each meeting. **20-21 Challenges:** As with other housing providers COVID 19 created stresses with our compliance obligations and additional challenges in working safely during the pandemic. Access to properties (through shielding tenants and refusals) have created a slight backlog with compliance checks, however each property requirements are well documented and monitored. We are expecting further regulatory changes to building regulations and new building safety regulator.
Legal and regulatory compliance	• Be a great landlord • Offer quality homes • Create opportunities		Improving	Our regulatory downgrade crystallised in January 19. An extensive amount of work was carried out in throughout 2019-20 to strengthen our governance and regulatory compliance. A Voluntary Undertaking Action

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Strategic Risk Header	Link to Corporate Objective	Status	Direction of travel	Risk management and internal control 2019-20
				Plan was put in place, which, at the end of June 2020, was 98% complete. The work involved a full review of our governance structures and strengthen our risk management framework. Other areas of legal and regulatory compliance have been assessed as part of our assurance framework. Our legal compliance and assurance maps have been reported and scrutinised by our Group Audit and Risk Committee **20-21 Challenges**: We will complete our Voluntary Undertaking action plan, and work towards regaining regulatory compliance status. Challenges include potential changes following Brexit, a new building safety regulator and preparing for longer term changes required for climate change. We continue to horizon scan any legal and regulatory changes every 6 months and assess the impact on Ongo.
Financial decline	• Be a great landlord • Offer quality homes • Create opportunities		Stable	Rent collection across Ongo continues to be strong and year end targets were better than expected, especially given the challenges the pandemic created as our income collection teams remained working from home. Significant work has taken place throughout the year to mitigate the risk of increasing rent loss through empty properties. A full process review and market analysis was completed. Our financial position and key risk indicators are reported and monitored through management accounts and forecasting. **20-21 Challenges**: During the peak of the pandemic our services were limited to essential only. This has created an increase in rent loss through empty properties and uncertainty in the wider economy. We are expecting higher unemployment rates and stretched incomes which may impact our rental income. We have remodelled our business plans and stress testing scenarios to understand the potential impact. A significant risk is an economic recession and impact on CPI and rent charges.
Financing risk	• Be a great landlord • Offer quality homes		Improving	The first tranche of our fixed rate debt (£10m) will reach maturity in 2022. This increased the risk score in 19/20. To control the risk, we have reviewed our borrowing options given the uncertainty around our G3 rating. The recommendations were present to the Common Board in March 2020. However, proposals were put on hold whilst we face this short period of uncertainly with Covid 19.

Strategic Risk Header	Link to Corporate Objective	Status	Direction of travel	Risk management and internal control 2019-20
				20-21 Challenges: Moving forward with our borrowing options under a period of economic uncertainty. The redrafted business plan for 2020/21 predicts poorer financial performance in the short term compared to previous plans. These changes are not seen as likely to impact our ability to access the capital markets to source the borrowing that is required by the business plan and corporate objectives.
Business continuity	• Be a great landlord		Increasing	For the majority of 2019-20 the business continuity risk has remained stable. However, the pandemic tested our resilience and continuity plans like never before. At the end of the financial year, business continuity planning meetings were held on a regular basis as the business moved to essential services only and mass home working. In response we have made significant changes in many areas of the business and have a detailed recovery plan to mitigate any risk to the business. **20-21 Challenges**: As with other businesses, we have moved from the crisis stage to resilience to recovery modes. We are looking at ways to "build back better", learn from our experiences and take the opportunities to embrace the changes that we feel have been beneficial. Following on from our recovery our business continuity plans will be assessed and reviewed for continuous improvement.
Staffing	• Be a great landlord • Offer quality homes • Create opportunities		Stable	Our staff are fundamental to ensuring that our corporate objectives are delivered successfully. Staff recruitment and retention is general good, we have involved staff in the development of our corporate plan and strategies including the development of a One Ongo strategy which is due to be rolled out in 20-21. **20-21 Challenges**: Our working environment has changed significantly, we are expecting to continue to work from home well into 20-21. Positive feedback has been received from staff and the union in relation to the staff communication plan delivery during the COVID19 restrictions. Good communication and support for staff working remotely is essential. We continue to ensure we have a clear framework in place.
Stock investment	• Be a great landlord • Offer quality homes		Stable	The implementation of the new asset management system is progressing well with the central asset function operational. Work is still ongoing on the asbestos, servicing and sustainability / NPV modules. All asset data will now be held on one system. This strengthens the level of control and asset understanding, supporting our decision making and

Strategic Risk Header	Link to Corporate Objective	Status	Direction of travel	Risk management and internal control 2019-20
				investment planning. Data integrity is fundamental to understanding our assets and compliance obligations. As part of the funding agreement, there is an external valuation survey of our stock, using a 10% sample, once every three years. Additionally officers normally have an annual desktop valuation conducted which informs our business planning and budgeting. These external mechanisms help to demonstrate the appropriateness of the business plan allowances for major works. The results of five year cycle of stock condition surveys are now loaded directly into the asset management system **20-21 Challenges**: Following the initial pandemic lockdown we paused our 20-21 investment programme as this involved extensive work to tenants' homes. We are working through a recovery programme to minimise the disruption to our capital programme.
Development	• Offer quality homes		Stable	Control around the development programme is strong and market exposure is low given the volumes in the development pipeline. This means that development is relatively low risk at the current time. The risk would increase if we were to expand our development programme, although this is unlikely under the current situation. The decision around the 2022 loan repayment could however have a significant impact on the development programme as we will not be able to match the required grant funding. We have good track record of delivery with Homes England, with a positive scheme audit. The pandemic halted our development sites causing some delay, however these are all now back on track. **20-21 Challenges**: With the economic outlook declining there is greater uncertainty in the housing market. However, Government is showing support. There may be a further increased opportunities in low-cost home ownership (LCHO) schemes alongside rented accommodation. The Shared Ownership and Affordable Homes Programme 2016-2021 has been extended to March 2022, although it is not yet clear which tenures will be prioritised for funding. It is promising that there will be increased opportunities for the housing market and development. However, the risk must be balanced. The revised business plan stress testing was reviewed by Common Board on the 30th June 2020, which included development scenarios. As the economy recedes the risk to the

Strategic Risk Header	Link to Corporate Objective	Status	Direction of travel	Risk management and internal control 2019-20
				sustainability of business plan increases. Given that development is a significant expenditure, the speed of development may need to be revised. The recovery action if required, could reduce the build programme from the corporate objective of 225 units per annum on average until 2029 to 75 units The expense of responding to climate change is a growing concern, the estimated additional costs to new developments was also costed within the business plan stress testing at an additional cost of £15k per property. We are following progress and announcements on this, recent events may have impacted the momentum of change. We are hopeful of Government funding and support to fulfil these requirements.

Operational Risk Management

Our strategic risks are supported by operational risk registers. Following on from the work on the Risk Management Framework all service areas received updated risk management training and support reviewing their Operational Risk Registers. The progress in this area was reviewed by Group Audit and Risk Committee in March 2020.

The operational risks are owned by the service managers and reviewed by relevant Heads of Service. Any risks requiring escalation are reviewed at monthly leadership team meetings.

Internal controls assurance

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 and 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 annual plan includes a range of audit reviews. The different types of review focus on one or more of the corporate assurance risks. This approach enables more in-depth work to be carried out in the individual assignments than would be possible if all four assurance risks were considered in every review.

Four levels of corporate assurance risk are considered in each audit report; directed; compliance; operational and reputational. Each audit is structured accordingly. For all types of audit, value for money considerations are taken into account and any linkages to the organisational Assurance Framework. The outcomes of the work on these corporate assurance risks informs both the individual assignment assurance assessment and also the annual assurance opinion statement. Detailed explanations of these assurance assessments are set out in full in each audit report.

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 CBS'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

The fraud register is reviewed at each Group Audit and Risk Committee. To assess our internal control framework, assurance tests are built in to the internal audit plan each year.

The fraud register is updated as necessary for all actual and potential frauds committed or attempted to be committed against the CBS each report is assessed.

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.

The Group Audit and 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 CBS. 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 the notes to the financial statements.

The CBS is committed to the principles of equal opportunities.

Engagement with employees

Importance is placed on employee engagement, measuring their views annually, and taking action to improve how they feel about the company. Different means of measuring staff engagement are undertaken both formally and informally and this feedback is used to develop Ongo's strategies and policies. During the year we have engaged employees on developing four new strategies to deliver the company's corporate plan. The four strategies are to be a great landlord, offer quality homes, create opportunities and "one ongo". A director has sponsored each of these strategies with a member of the leadership team leading on each one.

Ongo's policies set out clearly how the company and all our employees should act and what they should do if they need to raise any concerns. Policies are reviewed in line with the Policy Development and Review Framework, with a schedule of policies and procedures requiring a review being produced and agreed each financial year with employee consultation. Our Executive Leadership Team have the authority in line with our Delegations Framework to approve all HR policies.

The company recognises three unions: Unison, GMB and Unite the Union, and the company holds a Joint Consultative Committee (JCC) on a quarterly basis led by the company's directors. The purpose of this committee is to jointly agree effective collective bargaining, negotiation, consultation and communication in order to maintain good employment relations. Over the year we have consulted on behalf of employees on a number of matters including a new out of hours service for our maintenance teams.

The company's Organisational Change Policy outlines the process when there is a need to review the organisation and structure from time to time to ensure that there are sufficient and appropriate resources to meet the needs of service delivery. In line with this policy the company will engage and consult on all reviews undertaken and these are approved by the Executive Leadership Team. Four reviews have taken place over the year which have resulted in aligning areas of responsibility and reducing duplication.

In addition, the company has a number of employee forums including a Health and Safety and Diversity forum which is represented by employees across different areas of the business. This provides an opportunity for employees to put forward their views and suggestions on how we can improve working practices. The EDI steering group (Diversity Forum) considered feedback from a diversity staff survey. From this they took the decision to request that a bespoke workplace culture training programme be procured and rolled out to all staff as a mandatory requirement. This suggestion was taken on board, with the EDI group actually creating the training specification and receiving and assessing the pilot programme themselves before giving the final sign off on the training as being fit for purpose.

The end product was ultimately delivered to all staff over a period of three months, with each session containing a mixture of staff from all levels and all service areas. The training was indeed mandatory for all, with the chief executive attending.

Energy and carbon report

As a social landlord we have an important role in ensuring that new and existing homes are built or adapted to meet the climate change challenge and reduce our CO2 emissions. This is far reaching from how we procure products and conduct our business to ensuring our homes are as energy efficient as possible.

We have been reviewing our current position, completing self-assessments and commissioned an external company to review all of our energy use. This information will be used to set out our environment strategy and roadmap of how we intend to meet our commitment to reducing our carbon footprint and tackling climate change. Our strategy is due for completion in 2020-21.

Currently 72% of our housing stock has an EPC rating of C and above, we are reviewing our stock investment plans to increase this level over the next five years. We are also reviewing plans to pilot a carbon neutral housing development to inform future builds.

SECR (Streamlined Energy & Carbon Report)
The SECR framework is a mandatory UK-wide energy and carbon reporting scheme, implemented to create a straightforward carbon reporting framework. SECR seeks to improve transparency and help reduce UK carbon emissions associated with business and industry. From 1st April 2019, all large UK organisations are mandated to make an annual public disclosure within their Directors' Annual Report and Accounts of their UK energy use and carbon emissions

Why Calculate a Carbon Footprint?
As a first step towards managing and reducing Greenhouse gas (GHG) emissions, an organisation needs to understand which business activities generate GHG emissions and the magnitude of the generated emissions.

A carbon footprint provides a quantitative assessment of the GHG emissions arising from an organisation's business activities. Once a carbon footprint has been created, an organisation can begin identifying areas with the greatest potential for emission reductions.

Although, as a housing provider Ongo Homes are not required to provide this information, the information helps us review our current position.

The footprint includes the 'Scope 1' (e.g. combustion of fuel, fugitive and process emissions) and 'Scope 2' (electricity) emissions associated with the activities for which Ongo Partnership Ltd are responsible. For the purposes of the report only 'Scope 1' (Direct) and 'Scope 2' (Indirect) emissions sources are required.

Methodology
The footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol and Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance. Activity data has been converted into carbon emissions using published emissions factors. The data used has been provided by Ongo Partnership Ltd.

The results below included figures for the Ongo Group, including Ongo Commercial and Ongo Communities. The figures also includes energy used in our communal areas (such as heating and lighting, in over 400 sites) we have not made any adjustments for recharges. Usage at companies other than Ongo Homes during the year was minimal.

Intensity Ratio
The Intensity Ratio constitutes a simple measure of energy efficiency, as opposed to total energy or emissions. We are working on benchmarking and targets for our 2020-21 strategy

Usage

	kWh Energy Consumed YTD				tCO2e Emitted YTD				Intensity Ratio
	Electricity	Natural Gas	Transport	Total	Scope 1	Scope 2 (LB	Scope 3	Scope 1+2	
2019-2020	1,468,567	6,607,884	166,442	8,242,892	1,255	375	-	1,631	31.18

Engagement with suppliers, customers and others

We are a partnership of companies with one shared vision to create and sustain truly vibrant communities.

At Ongo, we understand that getting the very best value we can from our services and homes means we can invest more in creating opportunities for people in things like jobs, training and neighbourhood services – things our tenants told us are important to them during the most recent Corporate Plan consultation. We believe that working together produces better and more efficient results, and underpinning everything we do are core values of:

- **Partnership**
- **Drive**
- **Responsibility**

As a Registered Provider of Social Housing (RSP), our purpose is to provide a great service to our customers, tenants and communities but what really makes us different is how we go beyond just being a landlord.

We believe in providing opportunities, as well as homes, and working in true partnership with our tenants, customers and business partners to make lasting change.

We strive to create long-term value for all of our stakeholders but in order to do this, it is important to understand who our stakeholders are and what matters to them.

Our work generates value for the regional economy through, for example, job creation and delivering environmental improvements to develop the communities and natural environment in the region in order to create desirable places to live.

Our stakeholders…

We recognise that we do not operate in isolation and it is not our decision alone to determine what the region needs us to deliver. This is why it is essential we engage with stakeholders across the region, so we can identify shared solutions to shared challenges.

We value the diverse perspectives that a broad range of stakeholders, representing different and often competing interests, can bring to our decision-making. The relationships we build are subject to robust governance to ensure the insights generated are taken into account in decision making at executive and Board level.

How we engage with, and are influenced by our…

Our employees are the face of the company and we could not deliver our services without them. It is essential we build productive relationships based on trust, so they are engaged and motivated to ensure we meet our Corporate Plan objectives together.

We have a highly engaged, diverse and skilled team who take pride in their work, value opportunities to learn new skills, and maintain an open and honest dialogue with unions and the business. Managers play a vital role in supporting their teams, with regular one-to-one meetings, and our engagement survey regularly scores above the UK norm.

How we engage with, and are influenced by our…

Our Tenants are our customers and they are at the heart of everything we do and all our decisions made. We aim to deliver a great service in a way that customers' value, and we listen to and engage with them to grow and develop our services.

We engage with our customers through a variety of channels, including our Community Voice panel, Customer Service and Customer Engagement teams and our digital channels. We get feedback on customer interactions every day, and conduct more detailed weekly research on key themes that are important to them. We have changed the focus of the services we deliver based on customer feedback and consultation in respect of our new Corporate Plan launched in 2019, within which we have increased our neighbourhood and community services.

Our quarterly tenant magazine, Key News, aims to engage with and inform our tenants on matters important and relevant to them.

How we engage with, and are influenced by our…

Our work puts us at the heart of local communities, places where our customers and staff live and work. We develop strong relationships with those living in our communities, understanding the impact our work has on their lives. We tackle issues through engagement and investment, and by identifying the issues that matter most to communities we can develop solutions in partnership with them.

We engage through workshops and community partnerships, at our community hubs, The Arc and Viking Centre to help tenants in vulnerable circumstances or that need support to access opportunities.

How we engage with, and are influenced by our…

As well as our staff, we rely on our suppliers and contractors to deliver our services, and the availability of goods and services in the market influences our strategy and how we operate. Good relationships with suppliers ensure projects are delivered on time, to a high standard, at efficient costs, and can bring innovative approaches and solutions.

Ongo use procurement to generate, build, and maintain business relationships with suppliers. As we carry out some duties on behalf of the public sector, Ongo must always ensure that we contract with suppliers in an open, fair, and transparent manner whilst conforming to the Public Procurement Regulations 2015 (PCR). We actively seek to engage with local suppliers, local contractors, and local service providers whenever possible and run active marketing, meet the buyer events, and supplier workshops so that we generate local interest and competition.

We maintain an electronic procurement and tendering portal for running all procurement processes, and conduct due diligence on suppliers ahead of contracting and permitting them onto our approved supplier list.

How we engage with, and are influenced by our…

Through proactive, constructive engagement with The Regulator of Social Housing, we agree to deliver commitments over specified time frames. We actively engage to shape the policy and regulatory framework within which we operate, covering customer, economic, environmental, social and governance matters. These priorities need to be balanced and viewed over a long-term horizon and maintaining relationships is key to this. The priorities and objectives of regulators can change over time so active engagement to provide our perspective around future policy is important to us.

How we engage with, and are influenced by our…

We are committed to helping and protecting the environment and doing what we can to help save the planet. We rely on the environment for all of our key resources so it is important for the sustainability of our business that we protect and enhance it. We seek to incorporate sustainability into our supplier and product assessments and adopt renewable and sustainable energy sources wherever possible. Even our main HQ is primarily powered by green energy by means of solar PV panels situated on the roof.

Given the environment has no voice of its own, we engage with interested groups such as environmental regulators, non-governmental organisations, customers and communities. We conduct facilitated workshops with stakeholders to understand their priorities and have undertaken a large number of customer research projects. We work with environmental partners across the region to identify new ways to deliver improvements, and engage with several groups to explore opportunities to deliver shared environmental outcomes.

How we create value for our…

Employees

Short Term

- We have a strong focus on health, safety and wellbeing.
- We invest in training and development for every member of staff.
- We involve our staff through surveys, focus groups, workshops and other methods to ensure they're helping to shape the future of our business.

Long Term

- Encouraging our staff and supporting them to look after their physical and mental wellbeing will reduce the strain on healthcare services.
- We provide pension offerings that help support employees in later life.

How we create value for our…

Tenants

Short term

- We focus on delivering a reliable landlord service.
- Our Customer Service team provide a helpful, friendly service, talking and listening to customers so we can understand and meet their expectations
- We maintain high standards and provide value for money through innovation and efficiency
- We offer a wide range of support services for our tenants around money management, tenancy, employment support and wellbeing.

Long term

- Our quality service, community, and environmental projects make a major contribution to the long-term health and wellbeing of customers in our region
- We focus on earning the trust of customers, for example by keeping personal details safe and through transparent reporting, to ensure they can have complete peace of mind.

How we create value for our…

Communities

Short term

- We invest physically, financially, and emotionally into our communities across the region to improve the quality of life, for our current and future tenants
- We maintain and look after the physical landscapes.
- We encourage employees and tenants to volunteer on projects that address local issues, helping to create better communities.
- Working in partnership with others means we can accomplish more together such as partnering to develop employability skills for those who need it most.

Long term

- We make a significant contribution to the regional economy through our activities, the people we employ, and the money we spend in our supply chain.
- We work with teachers and children to raise awareness about life and social issues, raising aspirations of the next generation.

How we create value for our…

Suppliers

Short term

- We spend significant amounts with our suppliers each year to help deliver maintenance and enhancement projects across our asset base, and this helps support thousands of jobs in our region.
- By investing in our infrastructure we are helping to keep the economy flowing. We generate jobs through our capital programme and provide income for workers in the region

Long term

- Supporting jobs through our supply chain in the short term catalyses the development of skills and jobs in the region, providing a stimulus to benefit the regional economy in the long term.
- Working together to develop innovations and new technologies means we can identify solutions that will make our services better in the future.
- We act with integrity, giving suppliers confidence in the way we do business, which translates to transparency and fairness for our suppliers.

How we create value for our…

Environment

Short term

- We meet increasingly stringent environmental standards which help to improve the quality of our services and improve sustainability.
- We adopt best practices to avoid generating waste and contract with waste partners to assist with recycling and effective waste disposal.
- We invest in innovative new products to reduce waste whilst still ensuring our services provide value for money.

Long term

- Our investment in renewable energy generation is reducing our carbon footprint and contribution to climate change.
- We innovate and invest in new technologies to make our properties more efficient and environmentally friendly.
- We plan far ahead to ensure our activities and investment enhance the long-term resilience of the environment.

Auditors

BDO LLP have been auditors for five years and are in the second year of their three year appointment to serve as auditors for the CBS following a tender process during 2018/19.

By Order of the Board

RWalder

R Walder
Director

Date: 27 August 2020

From 1 April 2019 to 31 March 2020 there were five meetings held on

- 1 May 2019
- 29 July 2019
- 15 August 2019
- 1 October 2019
- 4 March 2020

These meetings were attended by:

Name	Number of meetings eligible to attend	Number of meetings attended
A Bairstow	4	4
M Kenyon	4	4
D Klemm	1	1
B Orton	4	3
J Wright	1	1
R Cook	1	1
M Finister-Smith	5	4

Michael Finister-Smith served as chair of the Committee for the full year. At 31st December 2019 Avril Bairstow, Melvin Kenyon and Barry Orton resigned from the Committee, being replaced by Rachel Cook, Daniel Klemm and John Wright from 24 January 2020.

As part of the Voluntary Undertaking entered into with the Regulator of Social Housing following Ongo Home's downgrade to a non-compliant governance rating of G3 a full review of Governance arrangements within the Ongo Group has been undertaken. This has included a full review of and revision to the terms of reference relating to the Audit and Risk Committee resulting in a greater focus on risk management in the work of the Committee , as well as the significant changes in composition of the committee referred to above,

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 Community Benefit Society's (CBS) and the Group'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 CBS'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 Group Audit and Risk Committee meeting are accepted by the Group Common Board (prior to the changes to Governance and Board structure, that of Ongo Partnership) at the first Board Meeting following that of the Committee. A verbal update is also given at the Group Common Board meeting (previously at the meetings of both Ongo Partnership and Ongo Homes). In addition to this, key decisions of each Committee meeting are recorded and circulated to Board members immediately following meetings to ensure Board members are promptly informed on the matters considered by the Committee.

The Committee has asked that the Chief Executive and the Director of Resource and Commercial Services 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 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:

- Contributing to the review of the Risk Management framework of Ongo Homes and the group, ensuring that the requirements of the Voluntary Undertaking entered into following the Governance downgrade of Ongo Homes are fully adhered to.
- Regularly reviewing the strategic risk register of the organisation, and received updates on the operational risk registers.
- Considering reports from the Internal Auditor partners on work undertaken in reviewing and auditing the control environment related to various functions of the business, to assess the effectiveness of the internal control systems. Specific subject matter covering; income collection, management of voids, development for sale, core controls, GDPR, safeguarding and rent setting.
- Considered work in relation to the compilation of the annual business plan and related sensitivity and stress scenario analysis.
- Regularly monitored compliance with general data protection regulations.
- Monitored all direct award procurement actions to ensure appropriateness of the actions, and received a report on overall procurement activity for a twelve month period.
- Monitored fraud attempts.
- Monitored health and safety as regards to compliance.

Finance reporting:

- Reviewed the financial statements of the CBS and other entities within the Ongo Partnership Group 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.

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 CBS and the Group has made to implement any recommendations made by the external auditors.

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 CBS and the Group had made to implement any recommendations made by the internal auditors.

AUDIT AND RISK COMMITTEE CHAIR **DATE: 27 August 2020**

M Finister-Smith

VISION

“To create and sustain truly vibrant communities.”

CORPORATE OBJECTIVES

In 2018/19, we set out a new corporate plan which focuses on three key objectives:

- Being a great landlord
- Providing good quality homes
- Creating opportunities for people and communities to thrive

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

Nature of business

The association 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 its head office is located in the town of Scunthorpe.

The CBS’s housing stock at 31 March 2020, which is located in North and Greater Lincolnshire, Yorkshire and Bassetlaw , consisted of 9,359 units for General Needs, Affordable Rent 555 units, 31 units for Supported Housing/housing for older people and 14 units for shared ownership. The CBS 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 CBS built its refurbishment and improvement programme for the following five 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

Whilst Ongo Homes remains at G3, we now believe we are operating in a way that meets the Governance & Financial Viability Standard and have therefore self-assessed ourselves as compliant against the Standard with the exception of item 2.1 where we are partially compliant due to certain business decisions being taken by our parent company, although we are awaiting formal reassessment from the RSH.

NHF Code of Governance

The Board has adopted the National Housing Federation (NHF) Code of Governance and following an assessment against the code is fully compliant. The following areas of the Code are not applicable to this company

- B8 (shareholders)
- H2(4) Companies Act 2006.

Governance

The CBS is governed by a Board of Management of up to 12 members. The current list of members is included on page 3 of these financial statements. The CBS 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 assessments.

The Board delegates the day to day running of the CBS to an Executive Leadership Team, headed by a Chief Executive and supported by a Property Director, a Communities Director, a Resource and Commercial Director and a Corporate and Compliance Services Director. Members of the Executive Leadership Team also attend the Board meetings.

Employees

The CBS 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 CBS 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 CBS 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.

At the financial year end the CBS had a Gold accreditation from Investors in People. Subsequently we have undertaken the process of re-assessment and under an undated and more rigorous assessment process have now been awarded Silver status. We believe that this is an achievement which continues to demonstrate the CBS's commitment to maintaining a workplace which values the professional and personal development of its employees. It is also listed in the top 100 Sunday Times Best Companies which demonstrates a high level of staff engagement.

As an equal opportunity employer, the CBS is committed to the equality and diversity agenda regardless of Age, Disability, Gender Reassignment, Marriage & Civil partnership, Pregnancy & maternity, Race, Religion & belief, Sex or sexual orientation. We see it as fundamental to the way that we operate to ensure that we a) aim to eliminate discrimination, harassment, victimisation, b) Advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it and c) Foster good relations between persons who share a protected characteristic and those who do not. 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. The CBS currently holds Disability Confident accreditation and Leaders in Diversity demonstrating its commitment to employing staff with disabilities.

Business planning

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

OPERATIONAL HIGHLIGHTS

Our main highlights in 2019/20, some of which relate to sister companies, were:

- **New Board and Board structure** – in January 2020 we welcomed a brand new Board and Board structure. From having 10 Boards and three committees we now have four Boards and two committees. This is a highlight for us as it means we can be more streamlined and run more efficiently. Our new Group Common Board is made up of 12 people with a wealth of experience and knowledge to drive our business forward and ensure strong governance of our group.

- **New homes** – 114 new homes were completed during 2019/20 costing in the region of £14million. Highlights include our first rent to buy homes to support people to get on the property ladder, the major redevelopment project of the former Albert Marson Court site to provide 27 much needed three and four bedroom homes, further developments on the £9million Westcliff regeneration project, work starting on the regions first ever Dementia care scheme and a brand new retirement living scheme in Gainsborough.

- **First outright sale development** – November saw our first development for sale completed. Owlet Mews in Blyton consists of 19 two, three and four-bedroom houses and bungalows. There are five homes for affordable rent and the remaining 14 were for sale. This was our first step into the world of commercial house sales, and with just two homes left to sell it has been a positive venture.

- **Rent arrears** – We ended 2019/20 on £756k which was just above our £750k target. However this was a false position due to the timing of Housing Benefit and Universal Credit payments. At the 6 April 2020 our current tenant arrears was £616k which is our lowest position since 2013

- **Tenant involvement in decision making** – We have again been working closely with our tenants on key decisions to improve business. One example was removing age restrictions on high rise flats, bungalows and low rise blocks. We consulted with Community Voice and other tenants and applicants of Ongo, with almost 1,700 having their say about whether we should remove our age restrictions. 61% were in favour of this and this has now been implemented

- **Landlord health & safety compliance** - Another really successful year in maintaining landlord compliance across all our homes. Highlights being once again maintaining our 100% record in completing gas safety checks in all our properties and carrying out required fire risk assessments and resulting actions within the communal areas of the blocks of flats.

- **Digital highlights** – On average we processed £282k per month on payments via My Home, we increased our registered users on the My Home app from 3,045 to 4,384, introducing the digital rent statement reduced statement production costs by 40% and saved us £3k per quarter and a chatbot pilot project was launched

- **Mental health support** – The support we've offered to our tenants around mental health has increased from supporting 75 people in 2018/19 to 217 people in the year need 31 March 2020

  Social isolation support – Our sister company Crosby Brokerage donated £20k of its profit from 19/20 to a project to help reduce social isolation to our older and vulnerable tenants

- **£10k community giveaway** – Through our funding of Ongo Communities thirteen local community groups benefitted from a share of £10k to support the great work they're doing to support local people and create opportunities

New Business

- Through working in partnership with the Homes England, North Lincolnshire Council and other partners, 114 new homes were built in 2019/20

- £478k external grant funding was received to provide additional services including enterprise, employment and mental health support plus funding for activities for children living in our communities

Improving what we do

External accreditation is used to measure our performance and effectiveness, especially in front-facing services such as tenant engagement or customer services. In the last 12 months we have received the following external recognition:

- We were shortlisted in two awards at the **National Centre for Diversity national awards** – 'Steering group of the year' for our Equality, Diversity & Inclusion group, and 'Employee of the year' for Erica Sanderson and her approach to diversity

- We were placed in the **Best Companies top 100**

- We received the **Secured by Design Gold Award** – for our approach to safety with our Albert Marson development

- We were recognised in the **Local Authority Building Control awards** – winning 'Best Community Building' for The Arc, and shortlisted for both 'Best New Housing Development' for our Grange Lane South and Henderson Avenue developments

- We won the **North Lincolnshire Business Award – Excellence in Community** award for our Westcliff and The Arc project

- **Accreditations secured in the following areas**: Tpas (resident involvement), Customer Service Excellence, Leaders in Diversity, Advice Quality Standard, and Investors in People

FINANCIAL REVIEW

The principal aim of this section is to explain the CBS'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.

Section 172 statement

Our duty to promote the success of the company for the benefit of its members as a whole, has regard to:

Likely consequence of any decision in the long term

The Ongo Group Corporate Plan which runs until 2022 and is largely driven by the activities of Ongo Homes, is made up of three simple objectives:

- Be a great landlord
- Offer quality homes
- Create opportunities

By 2022 we aim to have achieved the following:

- For more than 90% of our tenants to say they feel their views are listened and acted upon
- For more than 90% of our tenants to say they are happy with our services
- To provide our services at or below the costs achieved by similar housing associations
- For more than 90% of our tenants to be happy with their neighbourhood
- To be on track to invest £83.1million into our existing homes over the next 10 years
- To be on track to build 225 new homes every year for the next 10 years
- To help 700 people with employment support each year
- To support the personal development of 100 young people each year
- To invest our commercial profits into our community activity, supported with an ongoing commitment from Ongo Homes

Act fairly between members of the company

We truly believe in involving our tenants in our big decisions. They're the ones receiving our services so it is crucial that they have a say in the ways we improve and develop them.

Our Community Voice group discuss and approve all our operational policies, giving them fair opportunities to shape the way we develop as an organisation to improve our services to tenants.

We have also held a series of 'Chief Exec live Q&A' sessions on Facebook, where for one hour our tenants and customers can put questions to Steve. This received really positive engagement and allowed tenants not otherwise involved with us as an organisation to get involved.

Our Equality, Diversity and Inclusion (EDI) group is made up of staff and tenants who meet on a quarterly basis to discuss matters surrounding equality and diversity. Issues are raised, training is given and events are planned that both our staff and tenants are involved in. EDI is such a crucial part of business and society as a whole, so it is really important to us that our staff and tenants work alongside one another to ensure we're fair and equal in everything we do.

Our Board composition statement also ensures that we include tenant experience as a key attribute, ensuring that tenants' views are represented on our Board at a higher, strategic level.

Maintain a reputation for high standards of business conduct

We strive to continuously improve and offer the highest possible services for our tenants. Below gives detail around some external recognition we received over the last 12 months for various areas of the business:

- We were shortlisted in two awards at the **National Centre for Diversity national awards** – 'Steering group of the year' for our Equality, Diversity & Inclusion group, and 'Employee of the year' for Erica Sanderson and her approach to diversity

- We were placed in the **Best Companies top 100**

- We received the **Secured by Design Gold Award** – for our approach to safety with our Albert Marson development

- We were recognised in the **Local Authority Building Control awards** – winning 'Best Community Building' for The Arc, and shortlisted for both 'Best New Housing Development' for our Grange Lane South and Henderson Avenue developments

- We won the **North Lincolnshire Business Award – Excellence in Community** award for our Westcliff and The Arc project

- **Accreditations secured in the following areas**: Tpas (resident involvement), Customer Service Excellence, Leaders in Diversity (position 38), Advice Quality Standard, and Investors in People

Impact of operations on the community and environment

- £1million was invested into Ongo Communities, a registered charity and another subsidiary of Ongo Partnership to provide community projects and initiatives to benefit our local people and the areas they live. This includes setting up a mental health support and counselling service for tenants to access, many employment initiatives to support our tenants to get back into work, working closely with our young tenants to raise their aspirations and encourage them to have ambitions to succeed in life

- Following consultation with our tenants to find out what is important to them, we set up our Neighbourhood Service team to focus on improving the environments in our communities, communal areas and outside spaces.

- Our community building, The Arc celebrated a successful 12 months in business in May 2019.This building is a social meeting place for tenants, a location for many community events and activities for all ages, home to the Post Office which was crucial to the local community when the Westcliff regeneration project was underway and is a place tenants can meet with our staff to discuss any issues they may have or to learn about training opportunities available to them

- The ‘We are Westcliff’ campaign launched, and will see a cross section of staff from across the business working together over the next four years to tackle the issues in Westcliff, to better engage with the tenants living there and to create opportunities for the local community to thrive. This campaign has a similar focus to the previous Caistor Road estate campaign, but on a larger scale involving more staff and a bigger budget

Foster business relationships with suppliers, customers and others

Our Executive team actively encourage positive business relationships with our suppliers, customers and partners to ensure we’re offering the best possible services to our tenants and customers.

We have a procurement framework that all departments within the business work to, making sure we’re fair and reasonable in the way we appoint our suppliers. This also encourages the rotation of projects and work to all the suppliers on the framework to allow all our suppliers work with us. We also encourage local suppliers to work with us whenever possible, to reinforce our commitment to support the local community.

Partnership working is another way we build positive relationships with those living in our communities and the partners we work with in the local area. This includes local police, local authorities, schools and colleges and other supportive organisations in the region. Through these partnerships we have seen many positive outcomes to benefit our tenants and the local area as a whole. This way of working happens all through the business, with many of our Leadership team sitting on local Boards and representing Ongo at partnership meetings. Other staff members across the business play key roles in multi-agency meetings to improve issues and problems.

Having a positive relationship with our tenants is something really important to us as a business. We truly believe in involving tenants in our key business decisions and ways to make us a better organisation. We engage with our tenants through a number of channels including our Community Voice group, numerous other tenant panels, we have a group of ‘tenant testers’ to trial our latest services and we also carry out consultation with wider tenants using direct communication and social media promotion. There have been many occasions where tenants having their say, implemented positive change to Ongo.

Interests of employees
We aim to involve staff and keep them engaged with decisions that will impact them. All our policies relating to staff are always put out for consultation and feedback when reviewing and creating new policies.

In 2019 we launched our new Corporate Plan, the starting point of which was staff and stakeholder involvement to ensure we got it right.

To achieve our Corporate Plan we have created four new strategies (plus our existing Value for Money Strategy) to replace our previous 12 strategies. We wanted this piece of work to heavily involve staff as they will be the ones completing the work and targets set out. This involved focus groups, surveys and regular updates with all staff to ensure as many views were considered when creating the draft documents.

We have a reward and benefit package which is very competitive in our local area, and we also offer a flexible and agile approach to employment to ensure work life balance is maintained.

Financial Performance

The CBS's turnover increased to £45.9m (2019: £45.0m) despite the continued 1% annual rent decrease.

Rent losses from voids and bad debt (expressed as void and bad debt as a percentage of income from lettings) was 2.9% (2019: 2.0%). 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 group produces internal benchmarking for a number of areas with a cumulative position calculated for the year. The following areas, both of which showed an improvement over the previous year, are included within the monthly reporting and are considered to be key indicators:

Vacant dwellings as a percentage of stock (standard void) stood at 1.21% (2019: 1.26%) with the total rent loss from vacant dwellings reducing to £539k (2019: £621k).

Rent arrears represents a key form of data and at the year end current tenant rent arrears, excluding housing benefit, as a percentage of rent was 1.79% (2019: 1.83%) with former tenant arrears falling to 1.84% (2019: 2.92%).

The net movement in housing stock saw an increase to 9,959 *(2019: 9,886).* During the year 44 tenants exercised their right to buy their home (RTB/RTA). The surplus on the sale of properties was £1.61m (2019: £1.04m).

The operating surplus before interest and right to buy has reduced by 12.3% to £9.7m (2019: £11.0m), with operating margin changing from 26.8% (2019) to 24.6% (2020).

The surplus on ordinary activities before taxation for the year decreased by £1.8m to £7.7m. After the actuarial gain on the defined benefits pension scheme of £7.1m (2019: deficit of £2.5m) this leaves a recognised gain to reserves of £14.8m compared to £6.9m in the previous year.

Capital Structure and Treasury Policy

The CBS drew down no new funds during the year, but continued to refurbish and improve its housing stock. However an extension to the revolving credit facility of £15m was secured during the year bringing the total of that facility to £45m and renewing the term to May 2024.

Drawn borrowings at the period end were £60m, consistent with the prior year, and unused available facilities totalled an additional £45.0m as above. This debt is borrowed wholly from a UK bank using a mixture of fixed interest and variable rate loans. The first repayment on a fixed term loan becomes due in 2022/23.

The treasury strategy is set annually and approved by The Common Board. Normal policy is to maintain a minimum of 50% of borrowings at fixed rates of interest. At the end of the financial year 100% of the CBS's borrowings were at fixed rates of interest. This ratio has occurred due to the restructuring of the loan agreements during the previous year; previous fixed term debt remains in place, now supplemented by a currently undrawn revolving credit facility. These restructurings of debt were appropriately approved by both the Treasury Committee and the Board.

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

The fixed rates of interest range from 3.45% to 5.53% at the year end, with margins on these fixed debts scheduled to increase by 1.25% over the next 5 years. The currently undrawn revolving credit facility incurs a commitment fee of 0.48% on undrawn facilities, and when drawn a margin of 1.2% above LIBOR.

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 CBS 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 institutions and monitored by the Ongo Common board

The CBS's principal credit risk relates to tenant arrears. This risk is actively managed by providing support and advice to those tenants who are struggling to maintain payments and to closely monitor arrears that do occur whilst still providing support and assistance with the aim of bringing accounts back into credit for of those tenants who are able to self-fund some or all of their rent.

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 of £17,037k which is generated in the main from the management of housing stock;
- outflows on investment and servicing of finance of £19,018k due to capital additions, interest income and interest charges; and
- the net movement in cash.

Current liquidity

Cash and bank balances at the year-end were £13.9m. (2019: £15.8m) Net current assets were £10.4m (2019: £11.5m). At the Balance Sheet date Ongo Homes had facilities and security in place to borrow a further £45.0m.

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 to Ongo Homes are;

- Health and safety: relating to occupational health and saftey and andlord compliance, changes to regulation.
- Legal and regulatory complaince: relating to governance rating, data protection, compliance obligations
- Financial decline: relating to rent charges, losses, arrears, increases in costs, rent setting.
- Financing risk: ability to secure funding, credit rating.
- Business continuity: relating to cyber security, Covid-19, ICT infrstructure
- Stock investment: relating to data integrity, major investment programmes
- Development: relating to the development programme, build for sale

FUTURE PLANS

Our future plans all feed from our Corporate Plan and our three main objectives and the ways in which we intend to grow and diversify over the next 12 months are taken from the three strategies which have been developed to support each of our corporate objectives: Be a great landlord, Offer quality homes and Create opportunities. Here are our future plans for the next 12 months:

Be a great landlord:

- Involved customer demographic matches Ongo tenant demographic, stronger youth voice.
- Develop our My Home app further to encourage more customer self-service, plus maximise our transactions that can be self-serve
- Revise our Customer Service team to achieve functional specialisms, more empowerment and decision making, getting it right first time and reduce staff turnover
- To develop a new operating model for key operational teams to ensure Ongo is efficient and easy to do business with. Introduce risk based property inspections to protect our assets
- Digitalise the lettings process to enable people to self-service
- Implement a Ready to Rent system to allow greater percentage of lets outside Choice Based Lettings systems to create more balanced communities

Offer quality homes

- Building 225 new homes in the next 12 months as part of our commitment to build 2,250 over the next 10 years
- Continuing to build our portfolio of different types of tenure (outright sale, rent to buy, shared ownership) to help people get on the property ladder
- Continued investment in existing stock to make sure they are safe and secure, maintained to a high standard and benefit from modern facilities
- Increased investment in neighbourhoods
- Increased focus on reducing our carbon footprint by spending the next 12 months assessing the challenges ahead

Create opportunities

- Investing £1million in programmes to improve our communities, with programmes being delivered through Ongo Communities to:
- Support tenants who are seeking training and employment
- Provide Mentoring for young people
- Deliver services to help with social isolation and new skills from our community buildings
- Offer counselling and life skills advice
- Provide Support for social enterprise

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 2018 and the Co-operative and Community Benefit Societies Act 2014.

By Order of the Board

RWWalder

R Walder
Director **Date: 27 August 2020**

Value for Money Statement 2019/20

It is our job to provide homes and services which offer value for money (VFM). Each year we update our tenants and customers on how we are doing by publishing our Value for Money Statement on our website.

This statement includes details of our performance and costs in 2019/20 and how we compare with other similar organisations.

For this statement we have selected to compare ourselves against housing associations which had a stock size of between 5,000 and 20,000 (we have approximately 10,000) and which are similarly located in the Yorkshire & Humber or North East regions.

These include Bernicia Group, Broadacres Housing Association, Beyond Housing (Formerly known as Coast and Country Housing), Livin Housing, Lincolnshire Housing Partnership, South Yorkshire Housing Association and Yorkshire Housing.

Our 2018/19 benchmarking also included Durham City Homes and East Durham Homes. Durham City Homes and East Durham Homes merged in 2019, along with Dale & Valley Homes to form Believe Housing Ltd. 2019/20 Global Account data is not presently available for Believe Housing Ltd.

In respect of our service delivery, it is our aim to maintain our high level of service despite the uncertainty and risks we are likely to encounter in the coming year, with potential cost increases due to Brexit, continued increase in Universal Credit claimants and restricted access to funding as a result of a governance downgrade in 2018/19.

In addition, there are a significant number of further risks we may encounter as a result of the coronavirus pandemic, and should therefore be aware of. This could include reductions in the amount of grant funding available which currently allows us to offer additional services, delays in our development programme of new homes being built, staffing issues due to employees needing to shield or with long term childcare or other caring issues, and the potential loss of income, particularly across our commercial businesses due to reduced levels of service being offered.

However, alongside the risks there are also positive outcomes that will come from this difficult time that we shouldn't revert back to our old ways of working for everything we do. This includes our much more agile approach to work wherever it is appropriate to do so, and work being very much what we do rather than the office or desk we sit at to do it. More of our services becoming digital rather than time heavy and outdated using a lot of paperwork is another positive to continue with and many staff members, Board members and involved tenants embracing digital ways of working for meetings and appointments which will also create many efficiencies across the business.

Our Corporate Plan

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

In 2018/19, we published our new corporate plan which focuses on three key objectives: being a great landlord; providing good quality homes and creating opportunities for people and communities to thrive.

The plan was developed through extensive consultation with tenants, employees and partners.

Under each objective we have developed a number of indicators which will drive the activity needed to achieve our aims.

We understand that getting the very best value we can from our services and homes means we can invest more in creating opportunities for people in things like jobs, training and neighbourhood services – things our tenants told us are important to them during the most recent corporate planning consultation.

Underpinning everything we do at Ongo are our values. These guide the way we work;

- **Partnership**
- **Drive**
- **Responsibility**

What really makes us different is how we go beyond just being a landlord.

We believe in providing opportunities, as well as homes, and working in true partnership with our tenants, customers and business partners to make lasting change.

Our vision is to create and sustain truly vibrant communities, and to achieve this, we have three simple aims.

- **Offer quality homes**

  By… Enhancing our environments to make them places people want to live in.

  Investing in our existing homes so they meet future demand.

  Building new homes to help address housing need.

- **Be a great landlord**

  By… Involving tenants in our decision making.

  Providing excellent services to tenants.

  Running an efficient landlord service.

- **Create opportunities**

  By… Increasing the employment potential of people in our communities.

  Raising the aspirations of young people in our communities.

  Investing £1million each year in programmes which improve communities.

Corporate Plan objective: Being a great landlord

To be a great landlord, we will provide excellent services to tenants, run an efficient landlord service and involve tenants in our decision making.

In our drive to be a great landlord, we are putting a greater emphasis on transformation and change, using business intelligence to drive forward efficiencies in the way we transact with our customers and make better use of available technology to reduce costs and improve customer journeys.

Below are our VFM metrics against which we measure our performance in delivering a *great landlord service*. We've compared these with the median scores achieved by those housing associations that reported into HouseMark in 2018/19, which is the latest available comparison data.

Internal performance measures: Be a great landlord						
Indicator	**2016/17 actual**	**2017/18 actual**	**2018/19 actual**	**2018/19 sector median**	**2019/20 actual**	**Corp plan target**
% of tenants satisfied with overall landlord services*	92.70%	93.80%	94%	87.50%	91%	90%
% of tenants satisfied views are listened to and acted upon*	91.00%	88.70%	90.40%	75.00%	85.80%	Top Quartile (UQ was 78.9%)
% of tenants satisfied their rent offers value for money*	92.80%	94.10%	95.90%	87.90%	92.40%	Top Quartile 91.6%
% of tenants satisfied with our repairs service*	No data	88.30%	87.20%	83%	81.50%	Top Quartile 86.3%
Average current tenant arrears as % of debit (exc' housing benefit)	2.37%	2.13%	1.83%	2.17%	1.79%	1.70%
% of rent loss from lettable empty homes	0.74%	1.33%	1.31%	0.99%	1.21%	1.17%

*data taken from Survey of Tenants and Residents (STAR) survey

Our performance on all of the customer satisfaction indicators has deteriorated since 2018/19

Customer comments from the STAR survey on how we could improve our services indicate the following areas for attention-

Satisfaction with the overall landlord service-

- Our approach to lettings, who we house where
- Our digital offer and opportunities to self-serve
- Better communication with tenants
- Dealing more effectively with tenancy breaches including anti-social behaviour and drug use
- Need for better trained staff or specialist teams who are able to deal with enquires at the first point of contact

Satisfaction that views are listened to and acted upon-

- Better management and investigation of complaints

Satisfaction that Rent Offers Value for Money-

- Need to ensure that services are delivered effectively
- Don’t agree with the Rent First approach (this requires that all tenants should be in credit on their rent account)

Satisfaction with the repairs service-

- Getting repairs done right first time
- Time waiting for repairs to be done and lack of appointment slots
- Lack of cyclical maintenance

NB. Satisfaction with repairs is in the landlord section but there is commentary on this in the quality homes section below.

Current tenant arrears performance has improved from 1.83% in 2018/19 to 1.79% in 2019/20. Although this was above the target of 1.70% this was actually a false position due to the timing of payments onto rent accounts at the year-end. The position at 5 April 2020 was £616k which equates to 1.4% of the rent debit and is well below the target set.

Rent loss from empty homes has also improved from 1.31% in 2018/19 to 1.21% in 2019/20 against a target of 1.17%. There had been significant progress made in improving performance in the last quarter of the year but this was negatively affected by the impact of Covid 19 and the Government advice to complete only essential lets for homeless people and those with critical need.

Corporate Plan objective: Offer quality homes

In offering quality homes, we will seek to enhance our environments to make them places people want to live in, invest in our existing homes so they meet future demand and build new homes to help address local housing need.

Part of our strive to deliver quality homes is our development programme which picked up pace in 2019/20 with work starting on the delivery of new homes across a mix of tenures, including affordable rent, shared ownership and Rent to Buy.

A total of 114 new homes were completed in 2019/20 with a further 254 committed to and under contract.

During 2019/20 we completed (through our subsidiary company Ongo Developments Ltd) our first outright sales scheme and after a successful sales campaign sold 12 out of the 14 before the end of the financial year.

On the back off this successful venture, a further outright sales scheme was commenced, with 9 properties being built in West Lindsey and due for completion during 2020/21.

Shared ownership properties were sold during 2019/20 generating £245k of income and the organisation embarked on building 34 rent to buy properties.

Below are our VFM metrics against which we measure our performance in delivering *quality homes*. We've compared these with the median scores achieved by those housing associations that reported into HouseMark in 2018/19, which is the latest available comparison data.

Internal performance measures: Offer quality homes						
Indicator	**2016/17 actual**	**2017/18 actual**	**2018/19 actual**	**2018/19 sector median**	**2019/20 actual**	**Corp plan target**
% of tenants satisfied with their neighbourhood as a place to live	88.30%	89.70%	88.80%	84.30%	84.20%	90%
% of tenants satisfied with the quality of their home	93.10%	93.50%	94.20%	88%	91.60%	Top Quartile 89.1%
% of tenants likely to recommend Ongo Homes to family or friends	No data	66.30%	63.60%	32.60%	63.80%	Top quartile 45.40%
Investment into existing housing stock	£6,347k	£5,003k	£5,358k	N/A	£4,809k	£83m over 10yrs
Number of new build homes delivered	51	103	130	N/A	134	225

There continues to be a slight reduction in the percentage of tenants satisfied with their neighbourhood and the implementation of the Neighbourhood Services team was a direct result of feedback from our tenants about the importance of having Neighbourhoods they can be proud to live in.

The team now play an instrumental role in enhancing those environments and are now carrying out works that would have previously been carried out by contractors, including some grounds maintenance and specific environmental improvements works, for which additional staff member were recruited to carry out.

They also continue to work in partnership with colleagues to deliver on the targeted actions in our Neighbourhoods in terms of creating place people want to live in.

Our in-house maintenance team carried out 26,295 jobs in 2019/20 with around 22.5% of those being emergency/urgent repairs.

Our average number of jobs per property has remained stable at around 2.7 jobs and over a number of years we have seen this move from around 3.7 jobs, this is due to both significant improvements in the efficiency of our maintenance services team along with ongoing investment in our properties.

The percentage of tenants satisfied that their repair was done 'right first time' for April was at 96% and satisfaction with the way Ongo deals with repairs and maintenance for 2019/20 was 81.5%.

After carrying out a review of our Empty Homes and Lettings service areas, the teams are now engaged in putting actions in place to make the changes set out, including the development of a new lettable standard for our properties, this was developed in liaison with our tenant scrutiny panel.

Investment follows a planned programme and year on year spend delivers the agreed programme so fluctuations in spend are anticipated. We have invested in a new asset management system to enable us to plan programmes based on the data available and that will make the greatest impact in terms maintaining our homes and outcomes for our tenants.

We have also introduced a dedicated stock surveying team that carries out surveys to our tenanted and empty properties and the data they produce from those will feed into the new asset management system and be utilised for the planning of future programmes of work.

We have recently awarded a new gas servicing contract. The scope of the contract has been greatly increased to include EICR electrical testing, smoke and carbon monoxide alarm testing, and fire door inspections amongst other additions. The purpose of this huge change in scope from solely gas servicing to full compliance inspection and testing is intended to reduce the number of visits we make to each property, and therefore reduce the number of appointments we need to make and manage. The new service is intended to have multi-skilled engineers visit each property to conduct as many compliance checks and services as possible during a single visit.

The main benefit of this new service to tenants is a more efficient service and now having to arrange less appointments for their mandatory and very important compliance visits; whilst the main benefits to Ongo include having less service appointments to arrange and manage, and greater VFM by having more services conducted in less visits. Service cost reductions alone are estimated to save in excess of £250k pa, without including any efficiency and time savings by us having to manage less appointments.

2019/20 has also seen us appoint a new provider of kitchens who will design and supply kitchens for all of our property schemes from regeneration and investments, to new build developments. The procurement process was delivered with tenant involvement, and the new supplier appointment offers significant financial benefits to Ongo with savings of around 38% per kitchen fitted, for kitchens of equal quality and/or better than those we have historically fitted. This equates to a financial saving of approximately £180k per annum based on our previous year's expenditure, with the new contract expected to be in place for a minimum of three and a maximum of ten years. These savings bring benefits to tenants as it will allow us to fit more 'luxurious' kitchens with many additional and enhanced features to provide a quality feel, whilst still saving money.

Our asset team have also carried out various projects over the past year, including the removal of an outdated heating system at Victoria House, replaced with modern pipework, along with the installation of heat exchangers and a heat metering system that enables our tenants to have better control of their energy costs. The project value was around £500k, and though still in the early stages of monitoring the savings to tenants, it is our determination that it will have a positive impact on the energy costs to our tenants.

Corporate Plan objective: Create opportunities

The more efficient our business is the more resources we will have to invest in making a real difference to people's lives and futures, by creating new opportunities for them. We plan to increase the employment potential of tenants, raise the aspirations of young people and invest £1m each year in programmes which improve our communities.

The £1m invested during the year ended 31 March 2020 was made to a sister company, Ongo Communities Limited, a registered charity delivering programmes of work that provide a social return. Using the HACT (Housing Associations' Charitable Trust) model, we calculate that for every £1 Ongo Communities Limited invested in community projects, we got £13.82 worth of value in return. This demonstrates a small increase in value over the previous year and has been achieved despite similar levels of investment and grants as the previous year.

The amount of social return by Ongo Communities Limited is attributed to the £1 million funds from Ongo Homes and grants received by that charity from a number of external funders. The excellent outcomes achieved by our teams has meant continuation grants have been awarded on four existing employment support programmes for up to three years.

Raising the aspirations of young people is a key target and we are pleased to report that we have provided one-to-one mentoring to 128 people and appointed 50 onto new apprenticeships.

We have developed a strong team relationship with our partners at North Lindsey College who have delivered qualifications and training to 189 of our clients from our Cole Street premises.

Along with our internal budget, external grants of £478k have been achieved to fund employment support activities. These funds have allowed us work with 721 people in 2019/20. The skilled staff and facilities in the Arc have enabled us to engage with people on the Westcliff estate, including some people from generations of workless households who we are supporting long term to help improve their lives.

Below are our VFM metrics against which we measure our performance, through Ongo Homes funding of Ongo Communities, in *creating opportunities.* As these are unique to Ongo there is no comparable data recorded.

Internal performance measures: Create opportunities					
Indicator	**2016/17 actual**	**2017/18 actual**	**2018/19 actual**	**2019/20 actual**	**Corp plan target**
Number of people accessing employment support via Ongo Journey to Work	742	659	832	721	700
Number of people gaining sustainable employment	250	147	180	181	180
Number of young people engaged in one-to-one mentoring	No data	87	93	128	100
Number of new apprenticeships	42	30	48	50	36
Total invested into community/creating opportunities projects	£716k	£672k	£886k	£1 million	£1million

Our targets are the minimum level of service we plan to achieve. Our aim is to exceed these targets as much as we are able, based on the availability of external funding and partnership opportunities year on year. The number of people gaining employment has continued at a similar level to the previous year utilising the same amount of funding for this type of service and working with those people who are furthest from the labour market.

With our new corporate plan, and a renewed focus on creating more opportunities, we will continue with our Westcliff Development Plan, bringing together the building of new homes and increased community and neighbourhood activities to further improve an important part of Scunthorpe. This includes the continued growth of The Arc to increase the income it has the potential of generating, through room and facilities hire, cafe and Post Office sales. During 2019/20 we raised £131k through sales falling short of our £180k target. We aim to redress this over the next three years, working towards at least a break even figure, and a potential small profit in year three.

Our Ongo Talk scheme, launched last year with the aim of supporting people with low level mental health issues, has supported 117 people during the 2019/20 year, and will continue working towards our target of supporting 150 people each year.

Delivering value

Integral to delivering our plan is knowing we are doing so in a way which offers us the very best value for money.

For us, delivering VFM is understanding the relationship between four things:

- Economy – the price we pay for providing a service
- Efficiency – how much we get for what we pay
- Effectiveness – the outcomes we achieve
- Sustainability – the impact we have on the environment and society

In order to provide good value we always seek to understand our assets, know our customers, track our markets, monitor our performance, and manage risk.

We must always demonstrate that we consider VFM across our whole business. Wherever we invest in non-social housing activity (such as through our commercial and subsidiary businesses etc.), we must still ensure that the returns generated are proportionate to the risk involved and that VFM is still always considered.

Because we want to...

- Ensure we successfully achieve our Corporate Objectives
- Ensure that we maximise the value of every £ spent
- Ensure that we improve our levels of efficiency and the benefits we bring to others where intended.
- Ensure our approach is consistent and effective across the Ongo Group.
- Ensure all our decisions help us comply with any relevant guidance set out by regulatory bodies or legislation

In embedding VFM across our group, we have set out the key principles which form the basis of our VFM framework. We will:

- Maximise our return and protect and understand our assets
- Consider VFM in everything we do and set targets to achieve it
- Understand what customers want and deliver objectives to meet this
- Be transparent and inclusive
- Have effective governance and VFM structures

Cash flow

We need to maintain and protect our financial strength if we are to deliver our corporate objectives. The Regulator of Social Housing judges us to be V1 compliant for financial viability.

Ongo Homes recorded a statutory surplus (before actuarial gains/losses) of £7,708k for the year - £156k up on budget.

Net operating margin was 21.1%, against a budget of 19.9%.

Rent payments from social housing account for 92% of income.

Internal benchmarking show that cash flow was positively impacted by a decrease in tenant arrears with current tenant arrears, excluding housing benefit, standing at £756k (2019: £746k) and former tenants at £778k (2019: £1,191k).

Bank balances benefitted from a targeted push for reductions in the total rent loss from empty homes, which for the year amounted to £539k (2019: £621k) and also from the amount of former tenant debt recovered, being £318k (2019: £249k).

The Value for Money Standard

In April 2018, the Regulator of Social Housing (RSH) published its new Value for Money Standard requiring all registered housing providers to:

- Clearly articulate their strategic objectives
- Have an approach agreed by their board to achieving value for money in achieving these objectives and demonstrate their delivery of VFM to stakeholders
- Through their strategic objectives, articulate their strategy for delivering homes that meet a range of needs
- Ensure that optimal benefit is derived from resources and assets and optimise economy, efficiency and effectiveness in the delivery of their strategic objectives.

Specifically, seven metrics were agreed as the most appropriate set of measures to capture performance across the sector in a fair and comparable way.

Our comparative performance and future budget

Our benchmarking information is taken from HouseMark, Housing Quality Network and the Global Accounts, published by the Regulator of Social Housing in June 2020. The latest figures available at the time this statement was written were from 2018/19. Our comparisons are listed below:

	2018/2019						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 19/20**	**Our budget 20/21**	**Business plan 21/22**
Reinvestment **VFM theme:** outcomes delivered **Risk theme:** Effective asset management **Corporate objective:** Offering quality homes, creating opportunities	6.2%	5.7%	6.24%	13.48%	12.04%	13.75%	14.35%
What is it telling us?	Reinvestment is what we spend on new developments and improvements to existing properties as a percentage of our housing properties at cost. In our corporate plan we have made a commitment to tenants to reinvest in our existing homes and neighbourhoods. In 2019/20 we reinvested £4.8m in our current housing stock and £18.5m in the development of new homes. We are expecting to reinvest a further £13.1m in current stock and £49.2m in new development over the next two years. These investments are in line with our corporate plan objectives, and are delivered through our development company, Ongo Developments Limited. We compare well against the sector and our peers, with the sector averaging 6.2% reinvestment in 2018/19 compared to our 12.0% in that year. Our peer group for that year has averaged investment of 5.7% which we are performing significantly above.						

	2018/2019						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 19/20**	**Our budget 20/21**	**Business plan 21/22**
New supply (social) **VFM theme:** development capacity **Risk theme:** development **Corporate objective:** Offering quality homes	1.4%	1.0 %	0.02%	1.28%	1.14%	2.00%	1.99%
New supply (non-social) **VFM theme:** development capacity **Risk theme:** development **Corporate objective:** Offering quality homes	0%	0%	0%	0%	0%	0%	0%
What is it telling us?	New supply is the number of housing units we have acquired or developed as a percentage of the total housing we own. During the year ending March 2020 we delivered 117 new homes. This represents a slight fall in number of completions compared to 2018/19 but our development programme has a healthy and building pipeline of schemes in progress and in the planning stages and we are accelerating our development programme in the coming years and to deliver an average of 225 new homes per year over the next decade, with 419 of these coming in the next two years. In addition to this, we have built 14 homes for outright sale in 2019/20, and have commenced a further nine for delivery in 2021/22; these will be sold at market value through our development and sales company and so do not appear in the table above						

	2018/2019						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 19/20**	**Our budget 20/21**	**Business plan 21/22**
Gearing **VFM theme:** development capacity **Risk theme:** development **Corporate objective:** Offering quality homes	43.4%	47.1%	42.3%	23.9%	23.4%	25.3%	28.2%
What is it telling us?	Gearing is the long and short term borrowing as a percentage of the homes we own, at cost. Not only do we reinvest into our existing homes, we've described above how we are developing new homes too. Our development levels are comparable with others in our benchmarking group and the wider sector. As our development plans grow, we will require additional funding for these investments. This will impact our gearing performance. Currently our gearing is low compared to our peers and the sector averages due to sound financial management in the years since the housing stock was transferred to us in 2007, resulting in relatively low levels of borrowing and high levels of cash held. However, as we borrow more and spend our cash balances to fund the development of new homes, as agreed in our corporate plan, gearing will rise. We have secured undrawn funding arrangements which we can use in the medium term and are actively engaged in the process of identifying sources of additional long term funding to support our investment plans.						

	2018/2019						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 19/20**	**Our budget 20/21**	**Business plan 21/22**
EBITDA MRI interest cover **VFM theme:** business health **Risk theme:** reduced income **Corporate objective:** Be a great landlord	184.2%	177.6%	191.3%	377%	371%	169%	337%
What is it telling us?	The EBITDA measure demonstrates business health and our capacity to support borrowing costs. Our performance in this metric is good and gives us capacity to support further borrowing. A slightly modified version of EBITDA Mri also forms one of our key borrowing covenants and performance provides adequate headroom to this. Our plans to use more of our current facilities and, subsequently, enter into additional borrowing arrangements (therefore increasing our interest costs), coupled with a prudent business plan and budget for 2020/21 formed around the operational risks posed by Covid-19 and Brexit result in a significant reduction in this metric during 2020/21. However the underlying financial performance of our business remains strong and we expect this to recover the following year as business returns to a more usual footing						

	2018/2019						
	Global Accounts median £'000	**Benchmark group median £'000**	**Sector scorecard median £'000**	**Our actual £'000**	**Our actual 19/20 £'000**	**Our budget 20/21 £'000**	**Business plan 21/22 £'000**
Headline social housing cost per unit **VFM theme:** operating efficiencies **Risk theme:** asset management **Corporate objective:** Be a great landlord	3.70	3.58	3.64	2.85	2.92	3.42	2.97
What is it telling us?	This metric represents social housing costs divided by the number of the social housing homes we own. In 2019/2020 our overall related costs increased slightly, mainly due to increased maintenance costs, an increase in service charge costs, and a rise in depreciation charge arising from our further investments in our property stock. These increased costs have been offset by an increased property base delivered by our investment programme, leading to an increase in cost per property of 2.8% Our cost per property compares well against our peers and the sector median. We have budgeted and planned for costs to rise in future years under inflationary pressure and from continuing investment in the business and have stress tested the business plan to ensure that this is within our financial capacity In summary, we recognise we are operating efficiently because our costs are lower than that of our peers and we achieve high customer satisfaction scores. We are, however, planning to increase our spend to meet our commitments in the corporate plan.						

	2018/2019						
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual	Our actual 19/20	Our budget 20/21	Business plan 21/22
Operating margin (SHL) VFM theme: business health Risk theme: reduced income Corporate objective: Be a great landlord	29.2%	25.4%	26.6%	24.0%	19.6%	16.4%	16.8%
Operating margin (overall) VFM theme: business health Risk theme: reduced income Corporate objective: Create opportunities	25.8%	22.5%	23.4%	24.5%	21.7%	17.1%	17.4%
What is it telling us?	This measures the amount of surplus generated from turnover, first for social housing activities and then overall. It shows profitability before exceptional expenses are taken into account. The fall in our operating margin was due to the further 1% rent cut during the year, increased depreciation costs relating to our investments, increased spend on maintenance and a rise in costs related to service charges. We expect our operating margins will decline further during 2020/21 as we deliver our corporate plan, particularly investing in communities and new homes and allowing for an uncertain economic environment. However, from 2021/22 we expect to see margins to begin to recover as we benefit from a rise in income from more rental homes, recognise the effect of the rent settlement at CPI +1% and continue to improve our efficiency.						

	2018/2019						
	Global Accounts median	**Benchmark group median**	**Sector scorecard median**	**Our actual**	**Our actual 19/20**	**Our budget 20/21**	**Business plan 21/22**
ROCE VFM theme: asset management Risk theme: asset management Corporate objective: Be a great landlord	3.8%	3.6%	3.3%	6.1%	5.4%	4.2%	4.2%
What is it telling us?	ROCE stands for Return on Capital Employed. It compares the operating surplus to total assets, less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources. We have historically shown a high level of ROCE due to the relatively low net value of assets. We have reasonable levels of cash balances and our asset values are low due to no transfer value being included in our asset valuations. The measure has declined during 2019/20 and we expect a further fall in 2020/21 in line with the reducing margin levels identified in metric 6 and our increasing capital base through our continuing investment programme. However we compare well to our peers and the sector and expect this to continue to be the case even accounting for the planned changes brought about by our current corporate and business plans.						

Value for money savings

Each year we also set targets for savings and measure the efficiencies we have achieved through our VFM register, which is reported annually to board members.

In 2019/20 we achieved total cash savings of £1,528k against an anticipated target saving of £750k.

These savings have surpassed all expectation for the year but are aided by us having made some significant savings from some key projects. Several projects completed during 2019/20 delivered far greater levels of savings than were anticipated at the start of the financial year when the VFM targets were set.

Headline ‘cashable’ (or financial) savings include £462k per annum on the cost of our insurance premiums and insurance brokerage services. This equates to nearly £1,400k saved over the length of the three year agreement.

Further headline annual savings include the c£250k per annum on gas servicing and compliance; £180k per annum on the supply of kitchens; £180k on development works projects; c£123k on debt recovery claims and debt recovery services; £52k on utility gas supplies; and a c£35k saving on asbestos services.

At least £1,086k of the total savings recorded have been achieved as a result of competitive procurement processes, with the balance being made up of savings achieved by other means, e.g. the £123k from debt recovery services

Our staff are encouraged to regularly seek and record all savings, regardless of value, and so smaller gains are also accounted for, such as a £591 saving recorded by our Investment team against the annual cost of energy management services, and a £500 saving recorded by our Marketing and Communications team achieved through utilising the services of an Intern to deliver design works which would otherwise have been outsourced.

Showing how different teams contributed to this saving indicates the efforts we have gone to embed a VFM culture across the organisation.

Department	**Cumulative savings (cashable) 2019/20**
Communities	£38k
Human resources	£6k
Finance	£628k
Housing	£12k
Development	£180k
PR & marketing	£9k
Customer services	£20k
ICT	£18k
Regeneration	£540k
Neighbourhood Services	£64k
Ongo Roofing Ltd	£10k
Ongo Heating and Plumbing Ltd	£5k
Total	**£1,530k**

Our VFM savings target for 2020/21 has been set as £1m. This is a larger target than last year but should still be achievable and realistic. As always, our aim is to achieve this through a mix of savings and efficiencies from all Ongo entities from across the group.

Social Value

In addition to making both cashable and non-cashable financial and efficiency gains, Ongo also generate social value returns on the investments we make. These gains are referred to as our Social Return on Investment (SROI) and is calculated in social value £'s gain against every £ spent. Our activity here is through our investment in Ongo Communities all of our calculations for social value gains are made using the HACT social bank calculator specifically designed for Housing Associations. https://www.hact.org.uk/value-calculator

Our SROI for 2019/20 has been calculated to be £13.82 for every £1 we have spent. This represents a small increase on 2018/19's SROI of £13.77. Our SROI for 2019/20 is displayed below.

Activity	Overall budget spent	Overall social impact returned	Analysis of benefit	
			Budget : social impact	Net benefit
TOTALS:	**£1,472k**	**£20,338k**	**1 : 13.82**	**£18,866k**
Ongo Communities	£1,472k	£20,338k	1 : 13.82	£18,866k

Reviewing our assets and liabilities

Assets, which are mainly housing stock, and liabilities, mostly made up of bank loans, are recorded in a register and regularly reviewed to make sure that, when taking decisions or managing risks, it is done so with a clear understanding of our financial viability.

At the end of 2019/20, we had 9,942 homes in our portfolio. These included 58 homes classified as supported housing, 499 charged at affordable rent and 14 shared ownership properties.

Thirty Right to Buy sales and fourteen Right to Acquire sales generated a total profit of £1,608k.

Our Asset Management Strategy 2017 – 2020 has the following objectives:

- To maintain assets to a high standard
- To provide and sustain efficient homes and buildings
- To maximise value for money from our assets
- To keep pace with changing demographics and needs
- To deliver cyclical maintenance and ensure health & safety compliance
- To increase our stock

It also sets out our approach to understanding our assets by using a number of tools:

Asset and Liability Register
This provides access to all property and tenancy information linked to title deeds, existing social use and charge details.

Asset Management System
Implementation continues on a new system which will improve our ability to maintain a comprehensive stock asset and component database, manage decent homes investment and compliance, monitor sustainability of stock, cost forecasting, manage health and safety compliance, SAP ratings and energy efficiency and stock condition.

Sustainability Index
Our Sustainability Index assesses the ongoing viability of properties and estates against a number of indicators, including cost, income projections, management activity, performance and environmental information.

Net Present Value (NPV)
Using information from the Sustainability Index, we calculate the NPV of properties before any major investment decisions are made. This includes where we should invest, disinvest, dispose or convert particular properties.

Sustainability Working Group
To ensure low demand stock is actively assessed by the organisation, this group, which includes representatives from across the business, meets to determine how we maximise the life of our assets.

External audits
Asset management data is essential in informing the business plan and ensuring the business has enough financial resources to manage and maintain its assets to the necessary standards. In order to satisfy lenders, an annual stock valuation survey is carried out.

Keeping tenants updated
We will update tenants on our progress in delivering our corporate objectives and how we offer value for money through our quarterly tenants' magazine, at monthly tenant meetings, in our next VfM statement and using our digital channels such as our website and social media.

Independent auditor's report to the members of Ongo Homes Limited for the year ended 31 March 2020

Opinion

We have audited the financial statements of Ongo Homes Limited ('the Association') for the year ended 31 March 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board of Management and Strategic report, including the value of money statement for the financial year for the which the financial statements are prepared is not consistent with the financial statements; or
- adequate accounting records have not been kept by the Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the Board members' responsibilities statement, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association'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 Association and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP (Statutory Auditor)
Leeds

Date: 29 September 2020

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

Ongo Homes

Statement of comprehensive income
for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	3	**45,840**	45,044
Cost of sales	3	**(140)**	(147)
Operating costs	3	**(36,033)**	(33,879)
Surplus on sale of fixed asset housing properties	3, 10	**1,608**	1,044
Operating surplus	3, 6	**11,275**	12,062
Other interest receivable and similar income	11	**206**	137
Interest payable and similar charges	12	**(3,217)**	(3,160)
Other finance costs	12	**(262)**	(185)
Movement in fair value of investment properties	16	**(260)**	593
Surplus on ordinary activities before taxation		**7,742**	9,447
Taxation on surplus on ordinary activities	13	**(34)**	(10)
Surplus for the financial year		**7,708**	9,437
Actuarial (losses)/gains on defined benefit pension scheme	26	**7,087**	(2,547)
Total comprehensive income for year		**14,795**	6,890

The notes on pages 60 to 81 form part of these financial statements.

Ongo Homes

Statement of financial position
at 31 March 2020

	Note	2020 £'000	2019 £'000
Fixed Assets			
Tangible fixed assets - housing properties	14	**194,291**	182,080
Tangible fixed assets - other	15	**3,136**	3,319
Investment properties	16	**1,530**	1,790
Investments - other	17	**30**	30
Investments - subsidiaries	17	**100**	100
		199,087	187,319
Current assets			
Stock	18	**214**	-
Debtors - receivable within one year	19	**3,699**	1,581
Debtors - receivable after one year	19	**1,700**	2,250
Cash and cash equivalents		**13,859**	15,840
		19,472	19,671
Creditors: amounts falling due within one year	20	**(9,056)**	(8,157)
Net current assets		**10,416**	11,514
Total assets less current liabilities		**209,503**	198,833
Creditors: amounts falling due after more than one year	21	**(107,769)**	(105,187)
Net assets excluding pension liability		**101,734**	93,646
Pension liability	26	**(4,100)**	(10,807)
Net assets		**97,634**	82,839
Capital and reserves			
Income and expenditure reserve		**97,634**	82,839
		97,634	82,839

The financial statements were approved by the Board of Directors and authorised for issue on 27 August 2020.

R Walder
Director

M Kenyon
Director

S Hepworth
Chief Executive

J Sugden
Company secretary

The notes on pages 60 to 81 form part of these financial statements.

Ongo Homes

Statement of Changes in Reserves
for the year ended 31 March 2020

	Income and expenditure reserve £'000	Total equity £'000
Balance at 1 April 2019	82,839	82,839
Surplus for the year	7,708	7,708
Actuarial gains/(losses) on defined benefit pension scheme	7,087	7,087
Other comprehensive income for the year	7,087	7,087
Balance at 31 March 2020	97,634	97,634

Statement of Changes in Reserves
for the year ended 31 March 2019

	Income and expenditure reserve £'000	Total equity £'000
Balance at 1 April 2018	75,949	75,949
Surplus for the year	9,437	9,437
Actuarial gains/(losses) on defined benefit pension scheme	(2,547)	(2,547)
Other comprehensive income for the year	(2,547)	(2,547)
Balance at 31 March 2019	82,839	82,839

The notes on pages 60 to 81 form part of these financial statements.

Ongo Homes

Statement of cash flows
for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Cash flows from operating activities			
Surplus for the financial year		**7,708**	9,437
Adjustments for:			
Depreciation of fixed assets - housing properties	14	**9,929**	9,301
Depreciation of fixed assets - other	15	**213**	128
Amortised grant	23	**(2,608)**	(2,488)
Net fair value losses/ (gains) recognised in statement of comprehensive income	16	**260**	(593)
Interest payable and finance costs	12	**3,217**	3,160
Interest received	11	**(206)**	(137)
Taxation expense	13	**34**	10
Difference between net pension expense and cash contribution	26	**380**	1,299
Surplus on the disposal of fixed assets - housing properties		**(1,188)**	(1,044)
Decrease/(increase) in stock		**(51)**	(205)
Decrease/(increase) in trade and other debtors		**(783)**	(205)
Increase/(decrease) in trade and other creditors		**132**	1,377
Cash from operations		**17,037**	20,245
Taxation paid		**-**	(17)
Net cash generated from operating activities		**17,037**	20,228
Cash flows from investing activities			
Proceeds from sale of fixed assets - housing properties		**2,289**	1,501
Purchase of fixed assets - housing properties		**(22,943)**	(23,405)
Purchase of fixed assets - other		**(30)**	(1,958)
Receipt of grant		**5,377**	6,628
Interest received	11	**206**	137
Investment	17	**-**	(10)
New loans - advanced to group undertakings		**(1,700)**	(2,250)
Loans repaid by group companies		**1,000**	-
Net cash from investing activities		**(15,801)**	(19,357)
Cash flows from financing activities			
Interest paid	12	**(3,217)**	(3,160)
Net cash used in financing activities		**(3,217)**	(3,160)
Net decrease in cash and cash equivalents		**(1,981)**	(2,289)
Cash and cash equivalents at beginning of year		**15,840**	18,129
Cash and cash equivalents at end of year		**13,859**	15,840
Cash and cash equivalents comprise:			
Cash at bank and in hand		**13,859**	15,840
		13,859	15,840

The notes on pages 60 to 81 form part of these financial statements.

INDEX OF NOTES

1 Significant accounting policies

The CBS is registered with the Financial Conduct Authority under the Co-operative and Community Benefit Society Act 2014, and is registered with the Regulator of Social Housing as a social housing provider. The CBS, which is classed as a public benefit entity, was incorporated in England.

The address of the registered office is given on the contents page and the nature of the CBS's operations and its principal activities are set out in the strategic report.

The presentation currency of the financial statements is the Pound Sterling (£), rounded to the nearest £1,000.

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 includes the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2018, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2019.

The accounts are prepared under the historical cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates.

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

Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Executive Leadership Team and Board have been reviewing financial plans for the period to 31 March 2022. The Association has modelled a number of scenarios based on current estimates of rent collection, property sales and expenditure. The board will continue to review plans with Management to make the necessary changes to continue to work with our customers and stakeholders to deliver exceptional services in a friendly, solution-focused way.

The Government's decisions on social distancing have not had a significant effect on our financial situation. The length of the COVID-19 outbreak and the measures taken by the Government to contain this are not known and outside of our control but we have put processes in place to manage cashflow and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities, the board believe that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis. On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

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.

Property sale income is recognised on legal completion.

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 CBS 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 CBS. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the statement of comprehensive income 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 - 10
Fixtures, fittings, tools and equipment	4 - 20
Computers	2 - 3

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 CBS 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.

Development expenditure

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in assets in the course of construction and held at cost less any impairment, and are transferred to completed properties when ready for letting. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Shared ownership properties and staircasing

Under low cost home ownership arrangements, the Association disposes of a long lease on low cost home ownership housing units for a share ranging between 25% and 75% of value. The Buyer has the right to purchase further proportions up to 100% based on the market valuation of the property at the time each purchase transaction is completed.

Low cost home ownership properties are split proportionately between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover. The remaining element, "staircasing element", is classed as tangible fixed assets; tranches are treated as a part disposal of fixed assets Such staircasing sales may result in capital grant being deferred or abated and any abatement is credited in the sale account in arriving at the surplus or deficit.

Shared ownership accommodation that the Association is responsible for, it is the policy to maintain them in a continuous state of sound repair. Maintenance of other shared ownership properties is the responsibility of the shared owner. Any impairment in the value of such properties is charged to the Statement of Comprehensive Income.

1 Significant accounting policies *(continued)*

Impairment of fixed assets

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.

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.

On the occurrence of certain relevant events, primarily the sale of dwellings, the RSH can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the RSH with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

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

The CBS 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.

Value Added Tax

The CBS is registered for VAT and reclaims VAT on most inputs using a special partial exemption method. The majority of the CBS 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.

1 Significant accounting policies *(continued)*

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 CBS 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 CBS's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method are recognised in the CBS'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 CBS 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.

Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in profit or loss.

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 CBS'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 notes 14,15,16)*

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 18)*

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 Analysis of turnover, cost of sales, operating costs and operating surplus

	Turnover 2020 £'000	Cost of sales 2020 £'000	Operating costs 2020 £'000	Surplus/(deficit) on disposal of fixed assets 2020 £'000	Operating surplus / (deficit) 2020 £'000
Social Housing Lettings (Note 4)	44,625	-	(35,885)	-	**8,740**
Other Social Housing Activities					
First tranche shared ownership sales	245	(140)	-	-	**105**
Surplus on sale of fixed asset housing properties	-	-	-	1,608	**1,608**
Supporting People	13	-	-	-	**13**
Other	81	-	(81)	-	**-**
	339	**(140)**	**(81)**	**1,608**	**1,726**
Activities other than Social Housing Activities					
Lettings	479	-	(115)	-	**364**
Other	397	-	48	-	**445**
	876	**-**	**(67)**	**-**	**809**
	45,840	**(140)**	**(36,033)**	**1,608**	**11,275**

	Turnover 2019 £'000	Cost of sales 2019 £'000	Operating costs 2019 £'000	Surplus/(deficit) on disposal of fixed assets 2019 £'000	Operating surplus / (deficit) 2019 £'000
Social Housing Lettings	43,612	-	(33,151)	-	**10,461**
Other Social Housing Activities					
First tranche shared ownership sales	340	(147)	-	-	**193**
Surplus on sale of fixed asset housing properties	-	-	-	1,044	**1,044**
Supporting People	3	-	-	-	**3**
Other	158	-	(158)	-	**-**
	501	(147)	(158)	1,044	**1,240**
Activities other than Social Housing Activities	-	-	-	-	**-**
Lettings	468	-	(404)	-	**64**
Other	463	-	(166)	-	**297**
	931	-	(570)	-	**361**
(	**45,044**	**(147)**	**(33,879)**	**1,044**	**12,062**

4 Income and expenditure from social housing lettings

	General needs £'000	Supported housing £'000	Affordable housing £'000	Low cost home ownership £'000	Total 2020 £'000	Total 2019 £'000
Income						
Rents net of identifiable service charges	38,418	138	2,461	5	**41,022**	40,191
Service charge income	724	269	-	1	**994**	933
Amortised government grants	2,165	-	444	-	**2,609**	2,488
Turnover from social housing lettings	41,307	407	2,905	6	**44,625**	43,612
Expenditure						
Management	12,665	276	751	19	**13,711**	13,483
Service charge costs	2,191	79	-	3	**2,273**	1,711
Routine maintenance	5,332	33	203	1	**5,569**	4,967
Planned maintenance	1,741	10	45	-	**1,796**	1,722
Major repairs expenditure	1,758	24	10	-	**1,792**	1,769
Bad debts	391	28	99	-	**518**	95
Depreciation of housing properties	8,527	24	1,361	17	**9,929**	9,301
Other costs	278	1	18	-	**297**	103
Operating expenditure on social housing lettings	32,883	475	2,487	40	**35,885**	33,151
Operating surplus/(deficit) on social housing lettings	8,424	(68)	418	(34)	**8,740**	10,461
Void losses	617	27	37	-	**681**	741

5 Units of housing stock

	2020 Number	2019 Number
General needs housing		
- social	9,359	9,404
- affordable	555	446
Low cost home ownership	14	10
Supported housing	31	26
Total social housing units	9,959	9,886
Total owned	9,959	9,886
Residential leasehold	285	283
Accommodation managed for others	13	13
Total managed accommodation	298	296
Total owned and managed accommodation	10,257	10,182
Units under construction	186	203

5 Units of housing stock (continued)

Total owned	**General needs housing - social**	**General needs housing - affordable**	**Low cost home ownership**	**Supported housing - social**	**Supported housing - affordable**	**Total owned**
At start of the year	9,404	428	10	26	18	9,886
Additions in the year	1	73	4	3	36	117
Transfers	(4)	-	-	2	-	(2)
Disposals in the year	(42)		-	-	-	(42)
At the end of the year	9,359	501	14	31	54	9,959

Total managed accommodation	**Residential leasehold**	**Accommodation managed for others - social**	**Total managed accommodation**
At start of the year	283	13	296
Additions in the year	-	-	-
Transfers	2	-	2
Disposals in the year	-	-	-
At the end of the year	285	13	298

6 Operating surplus

	2020 £'000	**2019 £'000**
This is arrived at after charging:		
Depreciation of housing properties	9,929	9,301
Depreciation of other tangible fixed assets	213	128
Operating lease charges - land & buildings	31	46
Operating lease charges - other	255	208
Auditor's remuneration:		
- fees for tax advice	-	2

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

7 Employees

	2020 £'000	**2019 £'000**
Staff costs consist of:		
Wages and salaries	5,926	5,447
Social security costs	565	532
Cost of defined benefit scheme	1,624	2,600
Cost of defined contribution scheme	99	80
	8,214	8,659

The Association employs staff that work for other group companies, recharging the appropriate costs of labour to those companies. The above table represent the net cost incurred as this best reflects the cost of staff undertaking work on behalf of Ongo Homes. The comparative figure have been amended to reflect this treatment.

7 Employees (continued)

The average number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours) during the year was as follows:

	2020	2019
Administration	33.8	30.6
Development	19.1	18.2
Housing, support and care	156.4	142.3
	209.3	191.0

A defined contribution pension scheme is operated by Ongo Partnership Limited on behalf of the employees of all the Ongo group subsidiary undertakings.

8 Directors and senior executive remuneration

The directors are defined as members of the Board of Management, the Chief Executive and the Executive Management Team disclosed on page 3

	2020 £'000	2019 £'000
Directors' emoluments (paid by Ongo Partnership Limited)	662	607
Compensation for loss of office	-	248
Contributions to defined contribution pension scheme	17	-
Contributions to defined benefit pension scheme	90	118
Amounts paid to Ongo Partnership Limited in respect of directors' services	827	653

Note 9 details the amount paid to board members included in the above.

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

The total amount payable to the Chief Executive, who was the highest paid director in respect of emoluments, was £172,065 (2019: £166,724). Pension contributions of £38,457 (2019: £24,488) were made to a defined benefit pension scheme on his behalf.

As a member of the LGPS pension scheme, the pension entitlement of the Chief Executive is identical to those of other members with no enhanced or special terms applying.

There were two directors in the group's defined contribution pension scheme (2019: one).and three (2019: six) of the directors accrued benefits under the group's defined benefit pension scheme during the year

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards (excluding those paid by Ongo Partnership Limited and recharged through the management fee):

	2020 No.	2019 No.
£60,000 - £69,999	3	3
£70,000 - £79,999	1	1

9 Board members

Board member	Remuneration £	Member of Audit and Risk Committee
M Spittles	6,750	
E Cook	3,813	
M Kenyon	5,438	☐
H Lennon	3,687	
T Mills	3,687	
R Pometsey	4,500	
J Wright	2,854	☐
M Finister-Smith	813	☐
N Cresswell	687	
P Gouldthorpe	687	
R Walder	1,375	
R Cook	813	☐

10 Surplus on disposal of fixed assets

	Other Housing Properties 2020 £'000	Total 2019 £'000
Housing properties:		
Disposal proceeds	2,271	1,501
Cost of disposals	(663)	(457)
Surplus on disposal of tangible fixed assets	1,608	1,044

In addition to the above, fixed assets - other housing properties components valued at £299k were written off to operating costs as a result of components being replace

11 Interest receivable

	2020 £'000	2019 £'000
Interest receivable from group undertakings	99	43
Interest receivable and similar income	107	94
	206	137

12 Interest payable and similar charges

	2020 £'000	2019 £'000
Bank loans and overdrafts	3,217	3,160
Net interest on net defined benefit liability (note 26)	262	185
Notional interest on RCGF (note 22)	-	-
	3,479	3,345

13 Taxation on surplus on ordinary activities

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 CBS 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

Deferred tax balances are not recognised.

	2020 £'000	2019 £'000
UK corporation tax		
Current tax on surplus for the year	34	-
Adjustment in respect of previous periods	-	10
Total current tax	34	10
Taxation on surplus on ordinary activities	34	10

13 Taxation on surplus on ordinary activities (continued)

The tax assess for the year differs to the standard rate of corporation tax in the UK applied to surplus before tax. The differences are explained below:

	2020 £'000	2019 £'000
Surplus on ordinary activities before tax	7,742	9,447
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2019: 19%)	1,471	1,795
Income not taxable	(1,435)	(1,795)
Group relief	(2)	-
Adjustment to tax charge in respect of previous periods	-	10
Total tax charge for period	34	10

14 Tangible fixed assets - Housing properties

	General needs completed £'000	General needs under construction £'000	Shared ownership completed £'000	Total £'000
Cost:				
At 1 April 2019	237,575	20,686	218	258,479
Additions:				
- construction costs	-	18,528	-	18,528
- replaced components	4,809	-	-	4,809
- transfers on completion	18,093	(18,711)	618	-
- outright purchase	65	-	-	65
Disposals:				
- replaced components	(624)	-	-	(624)
- other	(1,007)	-	(138)	(1,145)
Transfer to stock	-	-	(163)	(163)
At 31 March 2020	258,911	20,503	535	279,949
Depreciation:				
At 1 April 2019	(76,384)	-	(15)	(76,399)
Charge for the year	(9,912)	-	(17)	(9,929)
Eliminated on disposals:				
- replaced components	325	-	1	326
- transfers on scheme completions	-	-	-	-
- other	344	-	-	344
At 31 March 2020	(85,627)	-	(31)	(85,658)
Net book value 31 March 2019	161,191	20,686	203	182,080
Net book value 31 March 2020	173,284	20,503	504	194,291

The net book value of housing properties may be further analysed as:

	2020 £'000	2019 £'000
Freehold	194,291	182,080

Works to properties

	2020 £'000	2019 £'000
Improvements to existing properties capitalised	4,809	5,358
Major repairs expenditure charged to statement of comprehensive income	1,792	1,769
	6,601	7,127

15 Other tangible fixed assets

	Office buildings £'000	Fixture, fittings, tools and equipment £'000	Total £'000
Cost			
At 1 April 2019	2,817	1,478	4,295
Additions	-	30	30
At 31 March 2020	2,817	1,508	4,325
Depreciation			
At 1 April 2019	(65)	(911)	(976)
Charge for year	(100)	(113)	(213)
At 31 March 2020	(165)	(1,024)	(1,189)
Net Book Value			
At 31 March 2019	2,752	567	3,319
At 31 March 2020	2,652	484	3,136

The net book value of office buildings may be further analysed as:

	2020 £'000	2019 £'000
Freehold	2,108	2,170
Long leasehold	544	582
	2,652	2,752

16 Investment properties

	Commercial £'000	Total £'000
Cost		
At 1 April 2019	1,790	1,790
Revaluations	(260)	(260)
At 31 March 2020	1,530	1,530

The investment properties are valued annually on 31 March at fair value, determined by an independent, professionally qualified valuer. The valuations were carried out by a RICS registered surveyor and were calculated on market value subject to tenancy, based on his knowledge of our commercial stock, recent valuations of similar properties and extensive knowledge of the local market.

The deficit on revaluation of investment property arising of £260k has been debited to the Statement of Comprehensive Income.

If investment property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2020 £'000	2019 £'000
Historic cost	1,197	1,197
Accumulated depreciation	(44)	(22)
	1,153	1,175

17 Fixed asset investments

	Subsidiaries £'000	Other £'000	Total £'000
Cost			
At 1 April 2019	100	30	130
Additions	-	-	-
At 31 March 2020	100	30	130

Details of subsidiary undertakings and other investments

The principle undertakings in which the Association has an interest are as follows:

Name	Country of incorporation	Proportion of ordinary share capital held	Nature of business	Nature of entity
Subsidiary undertakings				
Ongo Developments Limited	England and Wales	100%	Development Company	Incorporated company
Ongo Home Sales Limited	England and Wales	100%	Property sales	Incorporated company
Other investments				
MORhomes PLC	England and Wales	0.78%	Funding vehicle for social housing	Incorporated company

18 Stock

	2020 £'000	2019 £'000
Materials stock	51	-
Properties - shared ownership first tranche	163	-
	214	-

19 Debtors

	2020 £'000	2019 £'000
Due within one year		
Rent and service charge arrears	2,177	2,039
Less: Provision for doubtful debts	(1,210)	(1,526)
	967	513
Trade debtors	24	69
Amounts owed by group undertakings	1,829	400
Other debtors	544	289
Prepayments and accrued income	335	310
	3,699	1,581
Due after one year		
Amounts owed by group undertakings	1,700	2,250
	5,399	3,831

A number of tenants in arrears are in formal repayment agreements with the Association. An assessment of the net present value of those repayment agreements was carried out. The potential adjustment identified was insignificant and was less than the provision for bad debt against those tenancies. On this basis, no adjustment has been made in the Financial Statements in relation to the net present value of the repayment agreements.

20 Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade creditors	189	375
Rent and service charges received in advance	1,386	956
Amounts owed to group undertakings	32	107
Taxation and social security	196	163
Other creditors	307	158
Recycled capital grant fund (note 22)	139	-
Deferred capital grants (note 23)	2,831	2,697
Accrual and deferred income	3,976	3,701
	9,056	8,157

21 Creditors: amounts falling due after more than one year

	2020 £'000	2019 £'000
Loans and borrowings (note 24)	59,253	59,251
Deferred capital grants (note 23)	48,516	45,936
	107,769	105,187

The bank loans are secured by a charge over a number of properties included within tangible fixed assets.

22 Recycled capital grant fund

	2020 £'000	2019 £'000
At 1 April 2019	-	-
Inputs: grants to recycle	139	-
Interest accrued	-	-
Recycling: grants recycled	-	-
At 31 March 2020	139	-
Amount three years or older where repayment may be required	-	-

Inputs: grants to recycle has resulted from the receipt of grants in respect of Right to Acquire properties.

23 Deferred capital grant

	2020 £'000	2019 £'000
At 1 April 2019	48,632	43,583
Grants received during the year	5,323	7,537
Released to income during the year	(2,608)	(2,488)
At 31 March 2020	51,347	48,632

24 Loans and borrowings

Maturity of debt:	Bank loans 2020 £'000	Total 2020 £'000
In one year, or on demand	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	10,000	10,000
In more than five years	49,253	49,253
	59,253	59,253

	Bank loans 2019 £'000	Total 2019 £'000
In one year, or on demand	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	10,000	10,000
In more than five years	49,251	49,251
	59,251	59,251

No additional loans have been drawn during the year. The association is carrying five term loans as detailed below:

	2020 £'000	2019 £'000	Interest rate
Repayable October 2022	10,000	10,000	3.45%
Repayable October 2029	12,000	12,000	5.22%
Repayable October 2030	10,000	10,000	5.53%
Repayable October 2031	10,000	10,000	5.39%
Repayable October 2033	18,000	18,000	5.24%
	60,000	60,000	

Issue costs of £1,312,500 were incurred in previous years, which were deducted from the initial carrying value, together with costs incurred this year of £81,347, are being charged to profit or loss as part of the interest charge calculated using the amortised cost method.

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

At 31 March 2020 the Association had undrawn facilities of £45m (2019: £30m)

25 Financial instruments

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

	2020 £'000	2019 £'000
Financial assets		
Financial assets measured at historical cost		
- Trade receivables	991	582
- Other receivables	4,408	3,249
- Cash and cash equivalents	13,859	15,840
Total financial assets	19,258	19,671
Financial liabilities		
Financial liabilities measured at amortised cost		
- Loans payable	59,253	59,251
Financial liabilities measured at historical cost		
- Trade creditors	1,575	1,331
- Other creditors	4,650	4,129
Total financial liabilities	65,478	64,711

26 Pensions

Two pension schemes are operated by the CBS.

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 £99k (2019: £80k). Contributions totalling £17k (2019 - £11k) were payable to the fund at the year end and are included in creditors.

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.

At 31 March 2020 there were 174 active employees 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. There were no changes to the scheme during the year.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2019 and updated to 31 March 2020 by a qualified independent actuary. Contributions to the scheme are made by the CBS based on the advice of the actuary and with the aim of making good any deficit over the remaining working life of the employees.

The employer's contribution to the scheme during the year was £2,109k (2019 £2,372k) at a contribution rate of 38% of pensionable salaries. Estimated employer contributions for the year ending 31 March 2021 are £2,318k.

Contributions totalling £124k (2019 - £nil) were payable to the fund at the year end and are included in creditors.

26 Pensions (continued)

	2020 £'000	2019 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	63,371	54,318
Current service cost	2,196	1,989
Interest cost	1,542	1,488
Benefits paid	(1,111)	(844)
Participant contributions	368	381
Changes in financial assumptions	(7,275)	6,127
Past service costs	31	1,497
Changes in demographic assumptions	550	(1,585)
Other experience	(4,718)	-
At the end of the year	54,954	63,371

26 Pensions (continued)

	2020 £'000	2019 £'000
Reconciliation of fair value of plan assets		
At the beginning of the year	52,564	47,357
Interest income on plan assets	1,280	1,303
Contributions by employer	2,109	2,372
Participant contributions	368	381
Return on assets (excluding amounts included in net interest)	(4,356)	1,995
Benefits paid	(1,111)	(844)
At the end of the year	50,854	52,564
Net pension scheme liability	(4,100)	(10,807)

Amounts recognised in statement of comprehensive income are as follows:

	2020 £'000	2019 £'000
Included in administrative expenses:		
Current service cost	2,196	1,989
Past service cost	31	1,497
	2,227	3,486
Amounts included in other finance costs		
Net interest cost	262	185

Analysis of actuarial (gain)/losses recognised in other comprehensive income:

	2020 £'000	2019 £'000
Actual return less interest included in net interest income	4,356	(1,995)
Changes in assumptions underlying the present value of the scheme liabilities	(7,275)	6,127
Changes in demographic assumptions	550	(1,585)
Other experience	(4,718)	-
	(7,087)	2,547

26 Pensions (continued)

	2020 £'000	2019 £'000
Composition of plan assets		
European equities	33,563	37,320
European bonds	8,137	7,359
Property	6,611	6,308
Cash	2,543	1,577
	50,854	52,564

The actual return on plan assets during the year was (4.8%).

Principal actuarial assumptions used at the balance sheet date	2020	2019
Discount rates	2.3%	2.4%
Future salary increases	1.9%	2.5%
Future pension increases	1.8%	2.5%
Inflation assumption (CPI)	2.0%	2.5%
Mortality rates		
for a male aged 65 now	20.9 yrs	20.4 yrs
at 65 for a male aged 45 now	21.8 yrs	21.6 yrs
for a female aged 65 now	23.3 yrs	23.1 yrs
at 65 for a female aged 45 now	24.8 yrs	24.7 yrs

27 Share capital

The Association is limited by Guarantee and does not issue shares.

28 Operating leases

The association had minimum lease payables under non-cancellable operating leases as set out below:

	Land & buildings £'000	Vehicles £'000	2020 Total £'000	2019 Total £'000
Not later than 1 year	41	139	180	184
Later than 1 year and not later than 5 years	52	132	184	389
Later than 5 years	-	-	-	-
	93	271	364	573

The CBS operates from a building under a licence to occupy. There was no formal lease in place at the year end and therefore no amounts have been included in the above table, nor any shown as operating lease payments made during the year. It is anticipated that a lease will be signed shortly.

29 Capital commitments

	2020 £'000	2019 £'000
Contracted but not provided for	13,707	17,222
Approved by the Board but not contracted for	17,382	10,046
	31,089	27,268

Capital commitments for the Association will be funded as follows:

	2020 £'000
Social Housing Grant	7,394
Current undrawn loan facilities	1,000
Existing and future reserves	22,695
	31,089

30 Contingent assets

Under the Right to Acquire and Right to Buy schemes a discount is provided to the tenant/home owner. As part of the conditions of sale this discount becomes repayable if the property is sold within five years from the date of purchase.

31 Contingent liabilities

The Association has an agreement with a supplier whereby that entity agreed not to make a charge to the Association for a site sharing lease but has reserved the right to do so if it is unable to obtain full receipt from third parties. The directors do not consider that it is probable that this potential liability, which amounts to £64,000, will fall due for payment and therefore no provision has been included within these financial statements.

The Association has an ongoing employment claim against it. The directors are confident that no additional costs will arise from this.

32 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 that there were any related party transactions during the year.

The following transactions took place between the Association and its other group members during the year:

	Parent 2020 £'000	Parent 2019 £'000	Fellow group Companies 2020 £'000	Fellow group Companies 2019 £'000
Summary of transactions in the year				
Interest received on loans	-	-	99	43
Sales of goods and services	-	-	25	24
Purchase of goods and services	-	-	12,214	1,737
Community investment expended	-	-	1,000	999
Management fees paid	6,728	6,069	-	-
Summary of balances at the year end				
Intercompany loans to group members	494	283	3,003	2,260
Other creditors	-		1,808	161

Fellow group companies comprises: Ongo Roofing Limited, Ongo Heating and Plumbing Limited, Ongo Recruitment Limited, Ongo Developments Limited and Ongo Communities Limited.

The board includes one tenant member. 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. The rent charged for the year was £4k and the tenant had a negligible credit balance at the year end.

33 Net debt reconciliation

	At 1 April 2019 £'000	Cash flows £'000	At 31 March 2020 £'000
Cash at bank and in hand	15,840	(1,981)	13,859
Bank loans	(59,251)	(2)	(59,253)
Net debt	(43,411)	(1,983)	(45,394)

34 Non-compliance with NHF Code of Governance

The Board considers the CBS to be fully compliant with the NHF code of governance.