

## **Ongo Homes**

Report and Financial Statements

Year Ended

31 March 2019

FCA Registration Number 7639

Regulator of Social Housing Registration Number L4486

# Ongo Homes

## Report and financial statements for the year ended 31 March 2019

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**Page:**

3	Executives & Advisors
4	Report of the Board of Management
11	Audit & Risk Committee report
13	Strategic report
19	Value for Money statement
32	Independent auditor's report
34	Statement of comprehensive income
35	Statement of financial position
36	Statement of changes in equity
37	Statement of cash flows
38	Index of notes
39	Notes forming part of the financial statements

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# Ongo Homes

## Executives & Advisors for the year ended 31 March 2019

### Board Members

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

#### Independent Members:

H Lennon		M Kenyon
R Pometsey		L Cook
G Dixon	(resigned 12 <sup>th</sup> March 2019)	M Spittles
S Turner	(resigned 18 <sup>th</sup> February 2019)	J Wright (appointed 19 <sup>th</sup> June 2019)
T Clark	(resigned 23 <sup>rd</sup> August 2018)	

#### Tenant Representatives:

J Norris	(resigned 10 <sup>th</sup> March 2019)
T Mills	(appointed 23 <sup>rd</sup> August 2018)

<b>Directors:</b>	Chief Executive	A Orrey	(resigned 06 <sup>th</sup> April 2018)
	Chief Executive	S Hepworth	(appointed 07 <sup>th</sup> April 2018)
	Director of Operations	S Hepworth	(resigned 06 <sup>th</sup> April 2018)
	Communities Director	E Stoddart	(appointed 07 <sup>th</sup> April 2018)
	Director of Resources	E Stoddart	(resigned 06 <sup>th</sup> April 2018)
	Property Director	P Stones	(appointed 07 <sup>th</sup> April 2018)
	Director of Regeneration and Investment	P Stones	(resigned 06 <sup>th</sup> April 2018)
	Resource and Commercial Director	A Harrison	(appointed 07 <sup>th</sup> April 2018)
	Corporate & Compliance Services Director	J Sugden	(appointed 07 <sup>th</sup> April 2018)
	Director of Communities	K Hornsby	(appointed 01 <sup>st</sup> March 2019)

<b>Secretary and registered office:</b>	E Stoddart	(resigned 23 <sup>rd</sup> May 2018)
	J Sugden	(appointed 23 <sup>rd</sup> May 2018)

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

<b>Auditors:</b>	BDO LLP Central Square 29 Wellington Street Leeds LS1 4DL
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<b>Bankers:</b>	Barclays Bank plc One Snowhill Snow Hill Queensway Birmingham B4 6GN
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<b>Solicitors:</b>	Forbes Solicitors Rutherford House 4 Wellington Street (St Johns) Blackburn, Lancashire BB1 8DD
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Womble Bond Dickinson LLP St Ann's Wharf 112 Quayside Newcastle upon Tyne NE1 3DX	Wilkin Chapman LLP Cartergate House 26 Chantry Lane Grimsby DN31 2LJ	Trowers and Hamlins 55 Princess Street Manchester M2 4EW
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# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019

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### **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 (formerly the Homes and Communities Agency (HCA)).

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

The corporate structure of the Ongo Partnership 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 CBS's insurance policies indemnify Board Members and officers against liability when acting on its behalf.

The Chief Executive is appointed on a permanent contract with a six month notice period. Other Executive Directors have a three 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.

# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019 (continued)

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### Financial Statements

The Board present their report and audited Financial Statements of the CBS for the year ended 31 March 2019.

### Results

The CBS made an operating surplus of £12.1m for the year (2018 - £14.4m). The result, after allowing for the expensed cost of environmental works and the past service pension cost, exceeded the business plan upon which the original transfer from the Council was based and the Directors consider this to be an acceptable standard of performance.

### Reserves

Revenue reserves total £82.8m at the year-end (2018 - £75.9m) and the business plan dictates that this will be utilised for future investment in the provision of social housing.

### External Factors

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

### Going Concern

The Financial Statements are prepared on a going concern basis, as the Board is satisfied that the 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.

### Governance

Ongo Homes holds the highest rating available for financial viability (V1). During the year the Governance rating was reduced to G3 (formerly G1), following the self-reporting of a significant payment made relating to pension strain costs for a retiring Executive. Following significant consultation with the Regulator a Voluntary Undertaking and Action Plan have been submitted for their review.

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

The board members are responsible for preparing the report of the board 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 2014 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.

# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019 (continued)

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### **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 2014.

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**

Our G3 regulatory judgment found material weaknesses in our governance and risk management frameworks. In response we have agreed a voluntary undertaking which will strengthen our Governance arrangements and Internal Control.

Given our new Corporate Plan and regulatory judgement we have fully revised our strategic risk registers for 2019/20. Our Boards started working on the revised registers in April 2019 at a joint Board away day. The process has been supported and challenged by our Group Audit and Risk Committee ready to be discussed and finalised in September 2019.

#### **Risk Management Framework**

As part of the voluntary undertaking, extensive work is currently under way to revise our Risk Management Framework. Our Boards are committed to ensuring that we have a robust framework in place to safeguard our assets and support the successful delivery of our new Corporate Plan. Clear roles and responsibilities are set out with a revised risk appetite. Full training and support will be provided throughout the company to ensure strong risk management is in place as an integrated activity. This is due to commence in September 2019 once approved.

# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019 (continued)

### Risk Overview

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 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 economic and political uncertainty caused by Brexit have been tested using the Bank of England assumptions. Mitigation and recovery plans were agreed at the June 19 Board.

Each of the 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 with additional controls identified for risks out of appetite and a progress statement is supplied by the risk owner. The table below provides a brief overview.

Classification	Link to Corporate Objective	Status 18/19	Risk Header	Risk Movement in 18/19
<b>Financial</b>  Risks relating to financial loss or uncertainty  Balanced risk appetite	<ul style="list-style-type: none"> <li>• Be a great landlord</li> <li>• Offer quality homes</li> <li>• Create opportunities</li> </ul>		Sustainability of business plan.	<b>Increasing:</b> Brexit and political unrest has caused some uncertainty in the economy. We have been monitoring the impact on a monthly basis through our onset indicators. Various multivariate scenarios have been tested against the business plan and have identified recovery actions if they were to occur. The scenarios were developed through Board consultation and wider risk analysis. The first tranche of our fixed rate debt (£10m) will reach maturity in 2022. This has increased the risk score for 19/20 as we review our options given the uncertainty around our G3 rating. This is to be assessed by Board in September 2019.
	<ul style="list-style-type: none"> <li>• Be a great landlord</li> </ul>		Reduction in rental income: Rise in arrears	<b>Reducing:</b> The national roll out of universal credit continues, however our current tenant arrears level has improved. This has been managed through our Tenancy First initiatives and improved arrears management processes. An Internal Audit was undertaken to test the effectiveness of controls.
	<ul style="list-style-type: none"> <li>• Offer quality properties</li> </ul>		Reduction in rental income: Rise in rent loss (demand)	<b>Increasing:</b> Our rent loss has continued to increase and performance in letting certain properties is a growing concern. In 2018/19 we appointed an external company to review demand for our properties and have commenced a full end to end review of our void process in 2019/20. The actions from these will be implemented to reduce the risk to the business.

# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019 (continued)

Classification	Link to Corporate Objective	Status 18/19	Risk Header	Risk Movement in 18/19
<b>Operating</b>  Risks relating to overall service delivery  Balanced appetite	• Be a great landlord		Critical ICT system failure	<b>Stable:</b> Preventative controls remain stable and disaster recovery is in place and has been tested. Although there are links with the cyber risk below.
	• Be a great landlord		Cyber Incidents	<b>Increasing:</b> With the speed of technological change cyber incidents are an increasing concern. We do have robust preventative controls in place and responsive business continuity. Penetration testing took place as scheduled. However, the Board discussed the inevitability of a cyber-attacks on businesses and decided to increase the risk score.
	• Be a great landlord • Offer quality homes		Effective Management of assets	<b>Stable:</b> Our sustainability group continues to work effectively. Asset information is being refreshed as scheduled by our stock surveyors. We are currently implementing a new asset management system which will improve the robustness of data management.
	• Be a great landlord		Business Continuity Event	<b>Stable:</b> In 2018/19 we started to review and refresh our Business Continuity Plan, including a number of sub plans (such as fire evacuation procedures). A testing schedule is planned for 19/20.
<b>Compliance</b>  Risks relating to regulatory or legislative compliance  Cautious risk appetite	• Be a great landlord		Health & Safety	<b>Reducing:</b> Our risk assurance was mapped in 2018/19 to fully understand the effectiveness of controls. Health and Safety remains a significant risk for all providers and changes to building safety are being monitored following the Hackitt review and Building safer futures consultation. We launched our tenant building safety group in 18/19 and have benefitted from joint working on safety issues. Improvements in the new asset management system will continue to support the management of health and safety.
	• Be a great landlord		Governance	<b>Increasing:</b> Our G3 rating crystallised this risk in January 19. We have a Voluntary Undertaking in place to review our Governance structures and strengthen our risk management framework. Work continues until the end of 2020, where we will test the effectiveness of the changes.
	• Be a great landlord		Data Protection	<b>Stable:</b> We continue to monitor data protection compliance and raise awareness of human error. Systems and controls are in place and are due to be audited in 2019/20.
<b>Reputational</b>  Risks relating to how others see us  Cautious appetite	• Be a great landlord		Brand and Reputation	<b>Increasing:</b> This risk is linked to our Governance downgrade. The scoring is linked with the loss in confidence from the regulator and potentially Barclays. However, our customer satisfaction levels and feedback remain favourable.
	• Be a great landlord		Fraud	<b>Stable:</b> Fraud controls remain effective, there are however links with cyber-crime which need to be monitored. Incidents are logged and investigated.



# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019 (continued)

Classification	Link to Corporate Objective	Status 18/19	Risk Header	Risk Movement in 18/19
<b>Strategic</b>  Risk related to change  Balanced appetite	<ul style="list-style-type: none"> <li>Offer quality homes</li> </ul>		Development	<b>Stable:</b> Internal Controls around development decisions remain robust. The scale of development does not expose us to the housing market. There are increasing concerns for 19/20 given the links between the 2022 loan repayment decision. We will also have to consider the new political direction under a new Prime Minister in July 19.
	<ul style="list-style-type: none"> <li>Create Opportunities</li> </ul>		Delivery of community investment projects	<b>Stable:</b> Ongo Communities continued to deliver promised outcomes during 18/19 supporting Ongo Homes commitment to communities and creating opportunities.

### Internal Audit

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

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

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

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

### External Audit

In so far as the Board is aware, all of the current board members have taken all the steps that they ought to have taken to make themselves aware of any information needed by the 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

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

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

### Reporting, review and corrective action

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

# Ongo Homes

## Report of the Board of Management for the year ended 31 March 2019 (continued)

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

The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the 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 Note 7 of the Financial Statements.


The CBS is committed to the principles of equal opportunities.

### Auditors

BDO LLP have been auditors for 4 years and are in the first year of their three year appointment to serve as auditors for the CBS following a tender process during the year.

By Order of the Board

M Spittles  
Director



Date: 27<sup>th</sup> August 2019

# Ongo Homes

## Audit and Risk Committee report for the year ended 31 March 2019

From 1 April 2018 to 31 March 2019 there were four meetings held on

- 17 May 2018
- 16 August 2018
- 27 November 2018
- 28 February 2019

These meetings were attended by:

Name	Number of meetings eligible to attend	Number of meetings attended
Avril Bairstow	4	4
Melvin Kenyon	4	4
Gemma Dixon	4	4
Barry Orton	4	4
Richard Gravestock	3	2
Michael Finister-Smith	1	1

In February 2018 Richard Gravestock was appointed as Chair of the committee on an interim basis. He was subsequently replaced by Michael Finister-Smith in December 2018.

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 CBS's and the Ongo Partnerships 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 and every Group Audit & Risk Committee meeting are accepted by the Ongo Partnership Board Meeting that follows it. A verbal update is given at both the Ongo Partnership and the Ongo Homes Board.

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

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

The Chair of the Committee also received the management accounts on a monthly basis.

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

# Ongo Homes

## Audit and Risk Committee report for the year ended 31 March 2019 (continued)

The Committee accepts that certain work of a non-audit nature is best undertaken by the External Auditors. The Committee reviews the amount of non-audit work they perform on an annual basis.

The principal activities undertaken by the Committee in the period under review were as follows:

### Internal controls and risks:

- Considered reports from both the Internal and External Auditors on work undertaken in reviewing and auditing the control environment, to assess the effectiveness of the internal control system.
- Reviewed the strategic risk register of the organisation, and received updates on the 2018 sector risk profile and the stress test scenarios applied to the Ongo Homes and Ongo Partnership Group business plans for 2019/20.
- Assessing the effectiveness of the internal controls of the CBS and the group and reviewed related disclosures in the Financial Statement.
- Reviewed the Asset and Liability Register.
- Monitored compliance with General Data Protection Regulations.
- Monitored all direct award procurement actions to ensure that the committee was comfortable with the reasons behind these.
- Monitored fraud attempts.
- Monitored Health and Safety as regards to compliance.
- Received and considered specific reports on Inspection and Testing compliance and Cyber Security and considered a number of policies for approval and recommendation to the Board's

### 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.
- Considered and agreed the appointment of BDO LLP as External Auditors and taxation advisors to the CBS and the Group to the year ended 31st March 2019 and for the two subsequent years, relevant fee schedules being contained within the appointment.

### 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:

  
M Finister-Smith

11 September 2019

# Ongo Homes

Strategic report  
for the year ended 31 March 2019

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## 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 is located in the main town of Scunthorpe.

The CBS's housing stock at 31 March 2019, which is centred in and around the Scunthorpe area, consisted of 9,404 units for General Needs, Affordable Rent 446 units, 26 units for Supported Housing/housing for older people and 10 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 5 years. This was designed to exceed Decent Homes Standard and was successfully completed in March 2012 and continues to be attained now.

## Compliance with Governance and Financial Viability Standard

The Board carried out an assessment against the standard which confirmed Ongo Homes had not adhered to it. This followed a regulatory downgrade by the Regulator of Social Housing in February 2019, details of which can be found here: <https://www.gov.uk/government/publications/regulatory-judgement-ongo-homes-limited>

To address this, Ongo Homes have undertaken a full external review of their governance processes and structure. This has resulted in a number of changes which are being delivered. Ongo Homes have also agreed a voluntary undertaking with the RSH which is being worked through.

## NHF Code of Governance

The Board has adopted the National Housing Federation (NHF) Code of Governance and complies with the main principles. Following an assessment against the code, Ongo Homes does not comply with section B3, C1(4), C1(5), C1(8), D10, F, F3, F4, F5, F6, F7, F8, F10, G, G3 and G4 as these issues are dealt with appropriately elsewhere within the Ongo group of companies. The Board does not comply with E4(4) - an external governance review reported in January 2018 and a further external governance review reported in June 2019 regarding this point. It does not comply with D1 but this will be addressed as part of our wide ranging review into our governance arrangements.

Please see note 29 for further details around areas of non-compliance with the Code.

# Ongo Homes

Strategic report (continued)  
for the year ended 31 March 2019

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## NHF Code of Governance (continued)

The CBS is governed by a Board of Management of up to 12 non-executive members. The current list of members is included on page 3 of these financial statements. The 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 assessment by an independent body, which shares its findings with the Board.

The Board delegates the day to day running of the CBS to an Executive Management 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 Management 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.

The CBS retains its Gold accreditation from Investors in People, an achievement which demonstrates the CBS's commitment to maintaining a workplace which values the professional and personal development of its employees.

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

## Business planning

The business planning process is centred on achieving the 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 2018/19 were:

- Steve Hepworth started at Chief Exec in April 2018, taking over from Andy Orrey who spent nine years in the role. Steve has spent 27 years in the housing industry and is keen to embed the One Ongo culture across the organisation, and continue to offer our customers a high quality service and provide safe and secure homes.
- A brand new Corporate Plan has been launched which gives the whole organisation a solid focus and three clear, simple objectives to work towards: be a great landlord, create opportunities and offer quality homes. The creation of this plan was a collaborative piece of work with staff, tenants and partners to make sure we focused on what really matters and what will make our homes and communities great places to live.
- 130 new homes were built, with a further 181 started on site in 2018/19. These included three shared ownership homes and starting on our first rent to buy scheme of 14 homes in Ashby, Scunthorpe.

# Ongo Homes

Strategic report (continued)  
for the year ended 31 March 2019

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## OPERATIONAL HIGHLIGHTS (continued)

- Our first outright sale development progressed well throughout 2018/19. Owllet Mews in Blyton is a development of 19 homes, with 14 for sale and five for affordable rent. Thirteen of the 14 homes have been sold off plan with an anticipated profit of £300,000 expected.
- We saw the lowest level of rent arrears since we've been in business and it's looking positive that we'll end this financial year on £480,000 arrears which will put us amongst the best performing housing associations in the country.
- For every £1 we've invested in community projects over the last year, we've had £13.77 worth of value in return. This has increased from £11.77 the previous year.
- By securing external grant funding, we've been able to offer employment support for 832 people. We have in total gained £603,000 in external funding to support various community programmes.
- Over the last 12 months, the regeneration project at Westcliff has gone from strength to strength with four out of the five retail units filled, The Post Office being well used by the community, Little Owls Nursery is full to capacity and The Arc is being used by both the local community and businesses to offer services to benefit local people.
- £1million was spent at the Market Hill estate in Scunthorpe town centre to replace the pipe work in the high rise blocks of flats. This was to provide a better value and more efficient heating system for our residents.
- The brand new Neighbourhood Services Team launched, which is a team that will be responsible for keeping our communities safe, clean and tidy. The team was created following lots of consultation with tenants to find out what mattered to them, so we could shape our corporate plan around this. The main area was around estates and communities, and how these areas are just as important as tenants homes.
- Ongo Talk launched in 2018/19 which is a counselling, life coaching and training service for people who want to improve their mental health and wellbeing. It is a free service for tenants living within certain low income areas and others can pay a fee to access the service.

## New Business

Through working in partnership with the Homes England and North Lincolnshire Council, 130 new properties were completed during 2018/19.

## Improving what we do

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

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

2018/19 saw the hard work of staff at Ongo being recognised locally and nationally at a number of different award ceremonies. Here's a selection –

- Excellence in Employment, Skills and Training (TPAS)
- Best Community Project on a social housing estate (Groundworks)
- Best Project (Resolve Anti-Social Behaviour)
- Building Excellence for the Best Community Building (South Yorkshire & Humber LABC)
- Excellence in Communities (Hull & Humber Chamber of Commerce)

# Ongo Homes

Strategic report (continued)  
for the year ended 31 March 2019

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## 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.

### Financial Performance

The CBS's turnover increased to £45.0m (2018:£44.7m) 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 2.0% (2018: 2.9%). Board considers void management to be a key performance measurement and, in addition to bad debt and void losses, continually reviews the percentage of void stock in management and void turnaround (re-let) time.

The percentage of income lost from voids (expressed as income lost from voids in management divided by gross rent) was targeted to be 2.0% in the last financial year. Actual performance in the period to 31 March 2019 was below target at 1.3% despite a difficult operating environment (2018: 1.6%).

Overall rent arrears at the end of the year (expressed as arrears divided by gross rent) were 3.8% (2018: 3.4%). In a year that has seen continued difficulties in the general economic environment, to be able to report such a low figure is a credit to the efforts of our employees and the work they carry out with our other specialist partners to address tenants' monetary and other financial inclusion issues.

The net movement in housing stock saw an increase to 9,886 (2018:9,770). During the year 29 tenants exercised their right to buy their home (RTB/RTA). The surplus on the sale of properties was £1.04m (2018:£0.80m).

The operating surplus before interest and right to buy has reduced by 19% to £11.0m (2018: £13.6m), with operating margin changing from 32.1% (2018) to 26.8% (2019).

The surplus on ordinary activities before taxation for the year decreased by £1.83m to £9.45m. After the actuarial loss on the defined benefits pension scheme of £2.5m (2018 gain of £3.3m) this leaves a recognised gain to reserves of £6.9m compared to £14.6m in the previous year.

### Capital Structure and Treasury Policy

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

Borrowings at the period end were £60m, consistent with the prior year, and unused available facilities totalled an additional £30.0m. This debt is borrowed wholly from a UK bank using a mixture of fixed interest and variable rate loans. The first repayment in on a fixed term loan becomes due in 2022/23.

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



# Ongo Homes

## Strategic report (continued) for the year ended 31 March 2019

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### FINANCIAL REVIEW (continued)

The fixed rates of interest range from 3.4% to 6.55% at the year end, with margins on these fixed debts scheduled to increase by 1.25% over the next 6 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 parent board and the Treasury Committee.

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 eligible for housing benefit and to closely monitor the arrears of those tenants who are able to self-fund some or all of their rent. Recent and proposed changes to the benefits system have been identified as one of the CBS's key risks.

### Cash flows

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

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

### Current liquidity

Cash and bank balances at the year-end were £15.8m. (2018: £18.1m) Net current assets were £11.5m (2018: £14.8m). At the Balance Sheet date Ongo Homes had facilities and security in place to borrow a further £30.0m, with an additional £15.0m being secured subsequent to the year end.

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

### PRINCIPAL RISKS

The principal key risks facing the CBS are:

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

# Ongo Homes

Strategic report (continued)  
for the year ended 31 March 2019

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## FUTURE PLANS

### We want to grow by:

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

### We want to diversify to:

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

## STATEMENT OF COMPLIANCE

The Board confirms that the Strategic Report has been prepared in accordance with the principles set out in the SORP for Registered Providers and the Co-operative and Community Benefit Societies Act 2014.

By Order of the Board

M Spittles  
Director



Date: 27<sup>th</sup> August 2019

# Ongo Homes

## Value for Money Statement For the year ended 31<sup>st</sup> March 2019

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### Value for Money Statement 2018/19

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.

In 2018/19, our board held a series of planning days at which members developed a new VfM framework and corporate plan. Delivering value is monitored as part of our management accounts at every board meeting, as is our progress in achieving the objectives in our corporate plan.

This statement includes details of our performance and costs in 2018/19 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 about 10,000) and which are similarly located in the Yorkshire & Humber or North East regions.

These include Bernicia Group, Broadacres Housing Association, Coast and Country Housing, Durham City Homes, East Durham Homes, Livin Housing, Lincolnshire Housing Partnership, South Yorkshire Housing Association and Yorkshire Housing.

### Our Corporate Plan

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

In 2018/19, we set out a 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 board members, tenants, employees and partners.

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

### 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.

Satisfaction with our overall landlord services has continued to improve year on year with a rate of 94% being recorded in 2018/19. This is based on responses given by 1,801 tenants.

95.9% of tenants are satisfied their rent provides them with value for money.

A net promoter score of 54% was achieved (above the upper quartile figure of 41.98% set by HouseMark).

The surveys also identified some dissatisfaction in call waiting times. The introduction of new contact channels, such as automated rent payments, will address these issues, reducing costs from £5 for a telephone call to just 20p for an automated transaction.

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.

## Ongo Homes

### Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

#### Corporate Plan objective: Being a great landlord (continued)

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 other similar housing associations in 2017/18, which is the latest available comparison data.

Internal performance measures: Be a great landlord					
Indicator	2016/17 actual	2017/18 actual	2018/19 actual	2017/18 sector median	Corp plan target
% of tenants satisfied with overall landlord services*	92.7%	93.8%	94%	89.04%	90%
% of tenants satisfied views are listened to and acted upon*	91.0%	88.7%	90.4%	74.7%	90%
% of tenants satisfied their rent offers value for money*	92.8%	94.1%	95.9%	85.66%	Top quartile 88%
% of tenants satisfied with our repairs service*	No data	88.3%	87.2%	83%	Top quartile 85.9%
Average current tenant arrears as % of debit (exc housing benefit)	2.37%	2.13%	1.83%	2.30%	1.93%
% of rent loss from lettable empty homes	0.74%	1.33%	1.31%	1.1%	1%

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

In most of our metrics, we are consistently reaching or exceeding our corporate plan targets, demonstrating that we are providing quality services to tenants.

Our landlord costs are below both sector and benchmark group averages (shown in the headline social housing costs per unit further in this statement) demonstrating we are achieving high satisfaction scores whilst operating in an efficient way.

However, our empty homes performance is below target and has been adversely impacted by the various reforms to welfare benefits which have reduced demand for some of our homes, especially two-bedroom flats. We also now need to undertake affordability checks on prospective tenants, which has increased our relet times. We have commissioned reviews on the local housing market and our internal processes to improve performance in this area.

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.

## Ongo Homes

### Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

#### 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 2018/19 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 130 new homes were completed in 2018/19 with a further 181 committed to and under contract.

We embarked on our first build for outright sale programme, near Gainsborough, offering 14 homes for sale and generating an anticipated profit of £300k.

Three Shared Ownership homes were also sold, generating £340k income and profit of £193k.

A £1m project to replace the pipework at the Market Hill estate, in Scunthorpe, was delivered £12,000 under budget and, along with providing a better value and more efficient heating system for residents, the investment will lead to a reduction in emergency repairs.

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 other similar housing associations in 2017/18, which is the latest available comparison data.

Internal performance measures: Offer quality homes					
Indicator	2016/17 actual	2017/18 actual	2018/19 actual	2017/18 sector median	Corp plan target
% of tenants satisfied with their neighbourhood as a place to live	88.3%	89.7%	88.8%	85%	90%
% of tenants satisfied with the quality of their home	93.1%	93.5%	94.2%	88%	Top quartile 88.6%
% of tenants likely to recommend Ongo Homes to family or friends	No data	66.3%	63.6%	31.9%	Top quartile 45.4%
Investment into existing housing stock	£6,347k	£5,003k	£5,358k	N/A	£83m over 10yrs
Number of new build homes delivered	51	103	130	N/A	225

Again, we are reaching or exceeding most of our corporate plan targets, with the exception of the percentage of tenants satisfied with their neighbourhood as a place to live.

A slight dip in satisfaction to 88.8% mirrors the feedback we received through our corporate planning consultation and is being addressed with the creation of a new neighbourhoods team. This team was created by merging our caretaking and community project teams, achieving efficiencies by ensuring that the works carried out across multiple areas are brought together with more focus on tenants and residents' concerns. It also looks at bringing various works in-house improving both service delivery and value which has recently included bringing our shrub maintenance work in house saving £35k per year.

## Ongo Homes

### Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

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#### **Corporate Plan objective: Offer quality homes (continued)**

We also experienced a drop in the amount invested in existing stock since 2016/17. Investment follows a planned programme and year on year spend delivers the agreed programme so fluctuations in spend are anticipated.

To deliver even more opportunities, we need to make sure we are maximising the return from our housing assets. With this in mind, we have conducted an extensive piece of market research to understand our future markets, predict the demand for different property types and understand our competitive landscape. This data is helping us structure our investment and development plans to ensure we deliver the right homes and tenures in the right places for generations to come.

It also coincides with an end-to-end review of our lettings and empty homes processes as we seek to address an increasing trend in the time it is taking to repair and relet empty homes.

The development of new homes, and of different tenures, is also a major part of our corporate plan commitments, with the delivery of our first 14 homes for outright sale due to be completed in the autumn of 2019.

We are also developing our first 34 Rent to Buy homes in Scunthorpe.

We have 13 schemes due to complete in 2019/20, delivering a total of 126 new homes for affordable and social rent.

#### **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.

Using the HACT (Housing Associations' Charitable Trust) model, we calculate that for every £1 we invested in community projects, we got £13.77 worth of value in return. This has increased in value by £2 over the previous year.

This increase in the value of our activities is attributed to the growth in external funds we attracted and the opening of The Arc community centre, Post Office and cafe in the centre of our largest housing estate in Scunthorpe. This brand new facility has enabled us to reach many more people and engage with them in activities to create opportunities to improve lives.

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 93 people and appointed 48 onto new apprenticeships.

We have also successfully partnered with North Lindsey College to increase the number of training opportunities we can deliver, providing 399 work/life skills development opportunities in 2018/19 through our partnership at our Cole Street Training and Employment Centre.

External grants fund most of our employment support activities and have seen us work with 832 people in 2018/19. We increased our external grant funding by £39,000 to specifically deliver lone parent courses and welfare and debt advice.

In total, we successfully gained £603,000 in external funding to support our community programmes.

## Ongo Homes

Value for Money Statement (continued)  
For the year ended 31<sup>st</sup> March 2019

### Corporate Plan objective: Create opportunities (continued)

Our work has attracted external recognition in the following areas:

- Excellence in Employment, Skills and Training (TPAS)
- Best Community Project on a social housing estate (Groundworks)
- Best Project (Resolve Anti-Social Behaviour)
- Building Excellence for the Best Community Building (South Yorkshire & Humber LABC)
- Excellence in Communities (Hull & Humber Chamber of Commerce)

Below are our VfM metrics against which we measure our performance 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	Corp plan target
Number of people accessing employment support via Ongo Journey to Work	742	659	832	700
Number of people gaining sustainable employment	250	147	180	180
Number of young people engaged in one-to-one mentoring	No data	87	93	84
Number of new apprenticeships	42	30	48	36
Total invested into community/creating opportunities projects	£716k	£672k	£886k	£1m

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. Although the number of people gaining sustainable employment dropped in 2017/18 this was a direct result of us targeting our most deprived areas and working with people further away from the job market. We are pleased that given this focus we are now seeing even more results in this area.

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. The 2019/20 target is to raise £180,428 through sales.

We have also launched Ongo Talk, a scheme aimed at supporting 150 people with low level mental health issues each year, and Sparc Enterprise to nurture local entrepreneurs and support nine start-up businesses over the next three years.

# Ongo Homes

## Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

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### 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

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 corporate planning consultation.

In embedding VfM across our group, we have set out the key principles which form the basis of our new VfM framework which was also developed in 2018/19. 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 £9,437k for the year - £645k up on budget.

Net operating margin was 24.5%, against a budget of 24.7%.

Rent payments from social housing account for 93% of income. By the end of the year, rental income was better than forecast with loss of income due to empty properties being lower than budgeted levels by 0.69%, at 1.31%. We are pleased to see improvements in this area although this is still below our long term business plan targets. To address this we have a number of reviews taking place this year to improve long term performance.

Direct action to tackle current tenant arrears has led to a reduction in arrears of £134k in a year, at a time when Universal Credit cases have substantially grown and threatened to cause an increase in arrears. The intensive early management of arrears cases by our Income Team has resulted in an average balance of £130 for Universal Credit cases which compares well across the housing sector.



# Ongo Homes

## Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

### 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 December 2018. The latest figures available at the time this statement was written were from 2017/18. Our comparisons are listed below:

	2017/2018						
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual	Our actual 18/19	Our budget 19/20	Business plan 20/21
<b>Reinvestment</b> VFM theme: outcomes delivered Risk theme: Effective asset management Corporate objective: Offering quality homes, creating opportunities	6%	6.50%	5.80%	11.54%	13.48%	10.97%	14.58%
<b>What is it telling us?</b>	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 2018/19 we reinvested £5.4m in our current housing stock and £19.2m in the development of new homes. We are expecting to reinvest a further £10m in current stock and £58.6m in new development over the next two years. These increases are in line with our new corporate plan objectives, however are initially recognised in our development company, Ongo Developments Limited, until the scheme is complete and sold to Ongo Homes. This timing difference explains why our budgeted 2019/20 metric has reduced. Were the investment costs recognised in Ongo Homes at the time at which they were incurred, these metrics would increase to 14.76% and 15.84% respectively.  We compare well against the sector and our peers, with the sector averaging 6% reinvestment in 2017/18 compared to our 13.48% in 2018/19.						

## Ongo Homes

Value for Money Statement (continued)  
For the year ended 31<sup>st</sup> March 2019

### Our comparative performance and future budget (continued)

	2017/2018						
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual	Our actual 18/19	Our budget 19/20	Business plan 20/21
<b>New supply (social)</b> VFM theme: development capacity Risk theme: development Corporate objective: Offering quality homes	1.20%	0.90%	1%	1.03%	1.28%	2.40%	2.20%
<b>New supply (non-social)</b> VFM theme: development capacity Risk theme: development Corporate objective: Offering quality homes	0%	0%	0%	0%	0%	0%	0%
<b>What is it telling us?</b>	<p>New supply is the number of housing units we have acquired or developed as a percentage of the total housing we own.</p> <p>During the year ending March 2019 we delivered 130 new homes, an increase of 25% on 2017/18 performance, and we are accelerating our development programme in the coming years. Our corporate plan commitment is to deliver an average of 225 new homes per year over the next decade, with 483 of these coming in the next two years.</p> <p>In addition to this, we are building 14 homes for outright sale in 2019/20, nine the following year and up to a maximum of 50 per year for the following eight years. These will be sold at market value through our development and sales company and so do not appear in the table above</p>						

## Ongo Homes

Value for Money Statement (continued)  
For the year ended 31<sup>st</sup> March 2019

### Our comparative performance and future budget (continued)

	2017/2018				Our actual 18/19	Our budget 19/20	Business plan 20/21
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual			
<b>Gearing</b> VFM theme: development capacity Risk theme: development Corporate objective: Offering quality homes	42.90%	43.50%	35.14%	24.20%	23.90%	26%	32.80%
<b>What is it telling us?</b>	<p>Gearing is the long and short term borrowing as a percentage of the homes we own, at cost.</p> <p>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.</p> <p>Currently our gearing is low 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.</p> <p>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 intend to seek additional long term funding to support our investment plans.</p>						

	2017/2018				Our actual 18/19	Our budget 19/20	Business plan 20/21
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual			
<b>EBITDA MRI interest cover</b> VFM theme: business health Risk theme: reduced income Corporate objective: Be a great landlord	206%	238.70%	213.61%	466.70%	377%	331%	302.90%
<b>What is it telling us?</b>	<p>The EBITDA measure demonstrates business health and our capacity to support borrowing costs.</p> <p>Our performance is good and gives us capacity to support further borrowing. Our plans to use more of our current facilities and, subsequently, enter into additional arrangements (therefore increasing our interest costs) is reflected in the reduction of this measure over the coming years.</p> <p>This measure forms a key part of the management of our borrowing facilities and our business plan ensures it is controlled during the additional borrowing and investment anticipated over coming years.</p>						

## Ongo Homes

Value for Money Statement (continued)  
For the year ended 31<sup>st</sup> March 2019

### Our comparative performance and future budget (continued)

	2017/2018						
	Global Accounts median £'000	Benchmark group median £'000	Sector scorecard median £'000	Our actual £'000	Our actual 18/19 £'000	Our budget 19/20 £'000	Business plan 20/21 £'000
<b>Headline social housing cost per unit</b> VFM theme: operating efficiencies Risk theme: asset management Corporate objective: Be a great landlord	3.38	2.96	3.45	2.66	2.85	2.88	2.90
<b>What is it telling us?</b>	<p>This is the social housing costs divided by the number of the social housing homes we own.</p> <p>In 2018/19 our costs increased, mainly due to increased spend on community projects, a rise in pension costs based mainly on annual actuarial valuations, additional depreciation charges connected to our investment programme and, in comparison to 2017/18, the non-repetition of a one-off saving on the renegotiation of office costs.</p> <p>However, our costs still compare well against our peers and the sector median.</p> <p>We have budgeted for costs to rise and, given the uncertainty around Brexit, have stress tested the business plan.</p> <p>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.</p>						

	2017/2018						
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual	Our actual 18/19	Our budget 19/20	Business plan 20/21
<b>Operating margin (SHL)</b> VFM theme: business health Risk theme: reduced income Corporate objective: Be a great landlord	32.10%	30.40%	30.43%	28.70%	24%	20.80%	17.20%
<b>Operating margin (overall)</b> VFM theme: business health Risk theme: reduced income Corporate objective: Create opportunities	28.90%	30%	27.89%	30.40%	24.50%	21.70%	17.80%

## Ongo Homes

### Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

#### Our comparative performance and future budget (continued)

<b>What is it telling us?</b>	<p>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.</p> <p>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 the cost of pension provision.</p> <p>The year on year comparison is also affected by a one-off saving, secured in 2017/18, by the negotiation of reduced dilapidation charges on moving from our previous head office building.</p> <p>Our operating margins will decline over the next two years as we deliver our corporate plan, particularly investing in communities and new homes and allowing for an uncertain economic environment.</p> <p>However, from 2021/22 we expect to see an increase again 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.</p>
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	2017/2018						
	Global Accounts median	Benchmark group median	Sector scorecard median	Our actual	Our actual 18/19	Our budget 19/20	Business plan 20/21
<b>ROCE</b> VFM theme: asset management Risk theme: asset management Corporate objective: Be a great landlord	4.10%	6%	3.72%	7.70%	6.10%	5%	4%
<b>What is it telling us?</b>	<p>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.</p> <p>We have historically shown a high level of ROCE against comparators 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.</p>						

# Ongo Homes

## Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

### 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 2018/19 we achieved total cash savings of £989k.

This includes a £128k saving on the cost of a new asset management software solution, achieved through a competitive tendering process, and a £72k saving through the competitive tendering of a re-roof scheme for flat roofs. In total £872k worth of savings were made through our procurement process.

Financial savings of £400k were recorded by our development team as a result of competitively tendering for the appointment of construction-related consultants (such as architects, designers and employers agents) and through the competitive tendering of the main contractors who deliver our new-build programmes.

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 £600 saving recorded by our community projects team as a result of delivering training to staff internally rather than appointing an external supplier.

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

Department	Cumulative savings (cashable) 2018/19
Communities	£41.9k
Human resources	£3.7k
Finance	£95k
Housing	£13.8k
Development	£404.3k
PR & marketing	£16k
Customer services	£2.8k
ICT	£59.8k
Maintenance	£13.2k
Regeneration	£338k
<b>Total</b>	<b>£988.6k</b>

Our VfM savings target for 2019/20 is £500k. This is lower than last year as we do not anticipate having as many large procurement exercises. Our aim is to achieve this through a mix of savings and efficiencies, including efficiencies gained in process re-engineering as part of our digital transformation project.

# Ongo Homes

## Value for Money Statement (continued) For the year ended 31<sup>st</sup> March 2019

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### 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 2018/19, we had 9,876 homes for rent, of which 26 were classified as supported housing and 446 were charged at affordable rent.

Twenty Right to Buy sales and nine Right to Acquire sales generated a total profit of £1,026k.

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 & Liability Register

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

#### Asset Management System

A new system was implemented in 2019. This has improved 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 that asset management decisions are well informed and owned by the whole organisation, this group, which includes representatives from across the business, meets to determine how we best deliver asset management.

#### 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 and in our next VfM statement.

# Ongo Homes

## Independent auditor's report for the year ended 31<sup>st</sup> March 2019

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

#### Opinion

We have audited the financial statements of Ongo Homes ("the Association") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and 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 2019 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly 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 2015.

#### 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 board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information 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.



# Ongo Homes

## Independent auditor's report (continued) for the year ended 31st March 2019

### 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 or 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 for money statement, for the financial year for 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](http://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 members of the Association, as a body, in accordance with 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 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, UK

24.9.19.

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 2019

	Note	2019 £'000	2018 £'000
Turnover	3	45,044	44,645
Cost of sales	3	(147)	-
Operating costs	3	(33,879)	(31,090)
Surplus on sale of fixed asset housing properties	3,10	1,044	798
<b>Operating surplus</b>	3,6	<b>12,062</b>	<b>14,353</b>
Other interest receivable and similar income	11	137	81
Interest payable and similar charges	12	(3,160)	(2,897)
Other finance costs	12	(185)	(257)
Movement in fair value of investment properties	16	593	-
<b>Surplus on ordinary activities before taxation</b>		<b>9,447</b>	<b>11,280</b>
Taxation on ordinary activities before taxation	13	(10)	(17)
<b>Surplus for the financial year</b>		<b>9,437</b>	<b>11,263</b>
Actuarial (losses)/gains on defined benefit pension scheme	24	(2,547)	3,296
<b>Total comprehensive income for year</b>		<b>6,890</b>	<b>14,559</b>

# Ongo Homes

## Statement of financial position at 31 March 2019

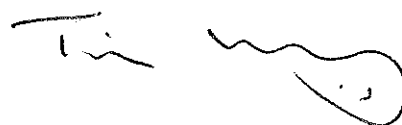
	Note	2019 £'000	2018 £'000
<b>Fixed Assets</b>			
Tangible fixed assets - housing properties	14	182,080	170,669
Tangible fixed assets - other	15	3,319	113
Investment properties	16	1,790	-
Investments - other	17	30	20
Investments - subsidiaries	17	100	100
		<b>187,319</b>	<b>170,902</b>
<b>Current assets</b>			
Debtors - receivable within one year	18	1,581	1,376
Debtors - receivable after one year	18	2,250	-
Cash and cash equivalents		15,840	18,140
		<b>19,671</b>	<b>19,516</b>
Creditors: amounts falling due within one year	19	(8,157)	(4,756)
<b>Net current assets</b>		<b>11,514</b>	<b>14,760</b>
<b>Total assets less current liabilities</b>			
		<b>198,833</b>	<b>185,662</b>
Creditors: amounts falling due after more than one year	20	(105,187)	(102,752)
Net assets excluding pension liability		93,646	82,910
Pension liability	24	(10,807)	(6,961)
<b>Net assets</b>		<b>82,839</b>	<b>75,949</b>
<b>Capital and reserves</b>			
Income and expenditure reserves		82,839	75,949
		<b>82,839</b>	<b>75,949</b>

The financial statements were approved by the Board of Directors and authorised for issue on 27th August 2019.

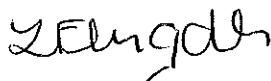
M Spittles  
Director



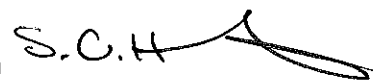
T Mills  
Director



J Sugden  
Secretary



S Hepworth  
Chief Executive



The notes on pages 38 to 63 form part of these financial statements.

## Ongo Homes

**Ongo Homes**  
**Statement of changes in equity**  
**For the year ended 31 March 2019**

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

**Statement of changes in equity**  
**For the year ended 31 March 2018**

	Income and expenditure reserve £'000	Total Equity £'000
Balance at April 2017	61,390	61,390
Surplus for the year	11,263	11,263
Actuarial gains on defined benefit pension scheme	3,296	3,296
<b>Other comprehensive income for the year</b>	<b>3,296</b>	<b>3,296</b>
<b>Balance as 31 March 2018</b>	<b>75,949</b>	<b>75,949</b>

The notes on pages 38 to 63 form part of these financial statements.

# Ongo Homes

## Statement of cash flows for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Cash flows from operating activities</b>			
<b>Surplus for the financial year</b>		<b>9,437</b>	<b>11,263</b>
Adjustments for:			
Depreciation of fixed assets - housing properties	14	9,301	9,252
Depreciation of fixed assets - other	15	128	24
Amortised grant	21	(2,488)	(2,502)
Net fair value losses/ (gains) recognised in profit or loss	16	(593)	-
Interest payable and finance costs	12	3,160	2,897
Interest received	11	(137)	(81)
Taxation expense	13	10	17
Difference between net pension expense and cash contribution		1,299	50
Surplus on the sale of fixed assets - housing properties		(1,044)	(798)
Decrease/(increase) in trade and other debtors		(205)	1,403
Increase/(decrease) in trade and other creditors		1,377	(1,008)
<b>Cash from operations</b>		<b>20,245</b>	<b>20,517</b>
Taxation paid		(17)	(36)
<b>Net cash generated from operating activities</b>		<b>20,228</b>	<b>20,481</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets - housing properties	10	1,501	1,703
Purchase of fixed assets - housing properties		(23,405)	(21,421)
Purchase of fixed assets - other		(1,958)	-
Receipt of grant	21	6,628	3,704
Interest received	11	137	81
Investment	17	(10)	(20)
New loans - advanced to group undertakings		(2,250)	-
<b>Net cash from investing activities</b>		<b>(19,357)</b>	<b>(15,953)</b>
<b>Cash flows from financing activities</b>			
Interest paid	12	(3,160)	(3,154)
Repayment of loans - bank		-	(11,000)
<b>Net cash used in financing activities</b>		<b>(3,160)</b>	<b>(14,154)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,289)</b>	<b>(9,626)</b>
Cash and cash equivalents at beginning of year		18,129	27,755
<b>Cash and cash equivalents at end of year</b>		<b>15,840</b>	<b>18,129</b>
<b>Cash and cash equivalents comprise:</b>			
Cash at bank and in hand		15,840	18,140
Bank overdrafts	19	-	(11)
		<b>15,840</b>	<b>18,129</b>

The notes on page 38 to 63 form part of these financial statements.

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019

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### INDEX OF NOTES

#### General notes

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

#### P&L related notes

- 3 Analysis of turnover, cost of sales, operating costs and operating surplus
- 4 Income and expenditure from social housing lettings
- 5 Units of housing stock
- 6 Operating surplus
- 7 Employees
- 8 Directors remuneration
- 9 Board members
- 10 Surplus on disposal of fixed assets
- 11 Interest receivable
- 12 Interest payable and similar charges
- 13 Taxation on surplus on ordinary activities

#### Balance sheet related notes

- 14 Tangible fixed assets – housing properties
- 15 Other tangible fixed assets
- 16 Investment properties
- 17 Fixed asset investments
- 18 Debtors
- 19 Creditors: amounts falling due within one year
- 20 Creditors: amounts falling due after one year
- 21 Deferred capital grant
- 22 Loans and borrowings
- 23 Financial instruments
- 24 Pensions
- 25 Share capital
- 26 Operating leases
- 27 Capital commitments
- 28 Related party disclosures
- 29 Non-compliance with NHF Code of Governance

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019

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### 1 Significant accounting policies

The CBS is registered 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 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 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 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

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.

#### **Basis of preparation**

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 income and currently available banking facilities.

#### *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 profit or loss during the period in which they are incurred.



# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 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 years
Fixtures, fittings, tools and equipment	-	4 - 20 years
Computers	-	2 - 3 years

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

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

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

#### Works to existing housing properties

The 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.

#### Impairment of fixed assets and goodwill

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

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 *(continued)*

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

#### *Government grants*

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

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

The 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.

The vast majority of the CBS's income is not subject to tax as the CBS has charitable status.

#### *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.

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

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### 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.

**Ongo Homes**  
**Notes forming part of the financial statements**  
**for the year ended 31 March 2019 (continued)**

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**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.

**Ongo Homes**  
Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

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

	Turnover	Cost of Sales	Operating	Surplus/deficit	Operating
	2019	2019	Costs	on disposal of	Surplus /
	£'000	£'000	2019	fixed assets	(Deficit)
			£'000	2019	2019
				£'000	£'000
<b>Social Housing Lettings (Note 4)</b>	43,612	-	(33,151)	-	10,461
<b>Other Social Housing Activities</b>					
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
<b>Activities other than Social Housing Activities</b>					
Market sales	-	-	-	-	-
Lettings	468	-	(404)	-	64
Other	463	-	(166)	-	297
	931	-	(570)	-	361
	45,044	(147)	(33,879)	1,044	12,062
	Turnover	Cost of Sales	Operating	Surplus/deficit	Operating
	2018	2018	Costs	on disposal of	Surplus /
	£'000	£'000	2018	fixed assets	(Deficit)
			£'000	2018	2018
				£'000	£'000
<b>Social Housing Lettings (Note 4)</b>	43,241	-	(30,794)	-	12,447
<b>Other Social Housing Activities</b>					
First tranche shared ownership sales	-	-	-	-	-
Surplus on sale of fixed asset housing properties	-	-	-	798	798
Supporting People	1	-	(3)	-	(2)
Other	18	-	(18)	-	-
	19	-	(21)	798	796
<b>Activities other than Social Housing Activities</b>					
Market sales	-	-	-	-	-
Lettings	625	-	(207)	-	418
Other	760	-	(68)	-	692
	1,385	-	(275)	-	1,110
	44,645	-	(31,090)	798	14,353

## Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

### 4 Income and expenditure from social housing lettings

	General needs £'000	Supported housing £'000	Affordable housing £'000	Low cost home ownership £'000	Total 2019 £'000	Total 2018 £'000
<b>Income</b>						
Rents net of identifiable service charges	37,890	93	2,203	5	40,191	40,030
Service charge income	665	267	-	1	933	709
Amortised government grants	2,111	-	377	-	2,488	2,502
Turnover from social housing lettings	40,666	360	2,580	6	43,612	43,241
<b>Expenditure</b>						
Management	12,637	234	599	13	13,483	11,301
Service charge costs	1,594	115	-	2	1,711	1,628
Routine maintenance	4,844	7	115	1	4,967	4,920
Planned maintenance	1,707	9	6	-	1,722	1,444
Major repairs expenditure	927	2	812	28	1,769	1,740
Bad debts	97	16	(18)	-	95	509
Depreciation of housing properties	8,300	20	976	5	9,301	9,252
Other costs	97	-	6	-	103	-
Operating expenditure on social housing lettings	30,203	403	2,496	49	33,151	30,794
<b>Operating surplus/(deficit) on social housing lettings</b>	10,463	(43)	84	(43)	10,461	12,447
Void losses	648	55	38	-	741	653

# Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

5	Units of housing stock	2019 Number	2018 Number
	General needs housings		
	- social	9,404	9,428
	- affordable	446	340
	Low cost home ownership	10	2
	Supported housing	26	-
	<b>Total social housing units</b>	<b>9,886</b>	<b>9,770</b>
	<b>Total owned</b>	<b>9,886</b>	<b>9,770</b>
	Residential leasehold	283	282
	Accommodation managed for others	13	13
	<b>Total managed accommodation</b>	<b>296</b>	<b>295</b>
	<b>Total owned and managed accommodation</b>	<b>10,182</b>	<b>10,065</b>
	Units under construction	203	121

6	Operating surplus	2019 £'000	2018 £'000
	This is arrived at after charging:		
	Depreciation of housing properties	9,301	9,252
	Depreciation of other tangible fixed assets	128	24
	Operating lease charges - land & buildings	46	53
	Operating lease charges - other	208	280
	Auditor's remuneration:		
	- fees for tax advice	2	11

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

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 7 Employees

	2019 £'000	2018 £'000
Staff costs consist of:		
Wages and salaries	6,561	5,622
Social security costs	532	539
Cost of defined benefit scheme (see note 24)	3,486	2,639
Cost of defined contribution scheme	80	62
	<b>10,659</b>	<b>8,862</b>

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:

	2019 £'000	2018 £'000
Administration	30.55	27.66
Development	18.16	17.00
Housing, support and care	142.32	148.11
	<b>191.03</b>	<b>192.77</b>

A defined contribution pension scheme is operated by Ongo Partnership on behalf of the employees of all the Ongo group subsidiary undertakings. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge represents contributions payable by the group to the fund and amounted to £80k (2018 - £62k). Contributions amounting to £11k (2018 - £9k) were payable to the fund at year end and are included in creditors.



# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 8 Directors' and senior executive remuneration

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

	2019 £'000	2018 £'000
Directors' emoluments (paid by Ongo Partnership Limited)	607	513
Compensation for loss of office	248	-
Contributions to money purchase pension schemes	118	106
Amounts paid to Ongo Partnership in respect of directors' services	653	552

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 £166,724 (2018 - £183,754). Pension contributions of £24,488 were made to a money purchase 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.

During the year a one off payment of £248,117 was made relating to pension strain costs for a retiring Executive.

There was one director in the group's defined contribution pension scheme (2018 - none). Six of the directors accrued benefits under the group's defined benefit pension scheme during the year (2018 - four).

The remuneration paid to staff (including Executive Management Team) earning over £60,000 upwards:

	2019 No.	2018 No.
£60,000 - £69,999	3.00	3.00
£70,000 - £79,999	1.00	-
£80,000 - £89,999	-	-
£90,000 - £99,999	-	-
£100,000 - £109,999	-	-
£110,000 - £119,999	-	-

# Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

## 9 Board members

Board member	Remuneration £	Member of Audit Committee	HR & Remuneration Committee	Group Board
M Spittles	9,000		☐	☐
T Clark (resigned 23 August 2018)	2,000			
E Cook	4,000			
G Dixon (resigned 12 March 2019)	3,890	☐		
M Kenyon	-	☐		
H Lennon	4,000			☐
T Mills	2,424			
J Norris (resigned 10 March 2019)	4,000			
R Pometsey	-			
S Turner (resigned 18 February 2019)	3,153			

## 10 Surplus on disposal of fixed assets

	Other Housing Properties 2019 £'000	Total 2018 £'000
Housing Properties:		
Disposal proceeds	1,501	1,703
Cost of disposals	(457)	(903)
Selling costs	-	(2)
Surplus on disposal of fixed assets	1,044	798

## 11 Interest receivable

	2019 £'000	2018 £'000
Interest receivable from group	43	-
Interest receivable and similar income	94	81
	137	81

## 12 Interest payable and similar charges

	2019 £'000	2018 £'000
Bank loans and overdrafts	3,160	2,897
Net interest on net defined benefit liability (note 24)	185	257
	3,345	3,154

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 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 income or gains are applied exclusively to charitable purposes.

Deferred tax balances are not recognised.

	2019 £'000	2018 £'000
UK corporation tax		
Current tax on surplus for the year	-	17
Adjustment in respect of previous periods	10	-
<b>Total current tax</b>	<b>10</b>	<b>17</b>
<b>Taxation on surplus on ordinary activities</b>	<b>10</b>	<b>17</b>

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:

	2019 £'000	2018 £'000
Surplus on ordinary activities before tax	9,447	11,280
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018 - 19%)	1,795	2,143
Income not taxable	(1,795)	(2,126)
Adjustment to tax charge in respect of previous periods	10	-
<b>Total tax charge for period</b>	<b>10</b>	<b>17</b>

# Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

## 14 Tangible fixed assets - Housing properties

	General needs completed £'000	General needs under construction £'000	Shared ownership completed £'000	Total £'000
<b>Cost:</b>				
As at 1 April 2018	226,462	11,580	108	238,150
<b>Additions:</b>				
- construction costs	-	19,185	-	19,185
- replaced components	5,358	-	-	5,358
- transfers on completion	6,858	-	255	7,113
<b>Disposals:</b>				
- replaced components	(342)	-	-	(342)
- transfers on scheme completions	-	(7,113)	-	(7,113)
- transfers to investment properties	(17)	(1,180)	-	(1,197)
- transfers to other tangible assets	(4)	(1,771)	-	(1,775)
- other	(740)	(15)	(145)	(900)
<b>At 31 March 2019</b>	<b>237,575</b>	<b>20,686</b>	<b>218</b>	<b>258,479</b>
<b>Depreciation:</b>				
As at 1 April 2018	(67,470)	-	(11)	(67,481)
Charge for the year	(9,297)	-	(4)	(9,301)
<b>Eliminated on disposals:</b>				
- replaced components	169	-	-	169
- transfers on scheme completions	-	-	-	-
- transfers to investment properties	2	-	-	2
- transfers to other tangible assets	1	-	-	1
- other	211	-	-	211
<b>At 31 March 2019</b>	<b>(76,384)</b>	<b>-</b>	<b>(15)</b>	<b>(76,399)</b>
<b>Net book value 31 March 2018</b>	<b>158,992</b>	<b>11,580</b>	<b>97</b>	<b>170,669</b>
<b>Net book value 31 March 2019</b>	<b>161,191</b>	<b>20,686</b>	<b>203</b>	<b>182,080</b>

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

	2019 £'000	2018 £'000
Freehold	182,080	170,669

### Works to properties

Improvements to existing properties capital	5,358	5,003
Major repairs expenditure to income & expenditure account	1,769	1,740
	<b>7,127</b>	<b>6,743</b>

## Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 *(continued)*

15	Other tangible fixed assets	Office buildings	Plant, machinery and vehicles	Fixtures, fittings, tools and equipment	Total
		£'000	£'000	£'000	£'000
	Cost				
	At 1 April 2018	-	54	2,364	2,418
	Additions	1,042	-	519	1,561
	Additions: transfers from housing properties	1,775	-	-	1,775
	Disposals	-	(54)	(1,405)	(1,459)
	At 31 March 2019	2,817	-	1,478	4,295
	Depreciation				
	At 1 April 2018	-	(54)	(2,251)	(2,305)
	Charge for year	(65)	-	(63)	(128)
	Disposals	-	54	1,403	1,457
	At 31 March 2019	(65)	-	(911)	(976)
	Net Book Value				
	At 31 March 2018	-	-	113	113
	At 31 March 2019	2,752	-	567	3,319

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

	2019 £'000	2018 £'000
Freehold	2,170	-
Long leasehold	582	-
	2,752	-

16	Investment Properties	Commercial £'000	Total £'000
	Cost		
	At 1 April 2018	-	-
	Additions: transfers from housing properties	1,197	1,197
	Revaluations	593	593
	At 31 March 2019	1,790	1,790

The associations 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 surplus on revaluation of investment property arising of £593,004 has been credited to the Statement of Comprehensive Income for the year.

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 16 Investment Properties (continued)

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

	2019 £'000	2018 £'000
Historic cost	1,197	-
Accumulated depreciation	(22)	-
	1,175	-

### 17 Fixed asset investments

	Subsidiaries £'000	Other £'000	Total £'000
Cost			
At 1 April 2018	100	20	120
Additions	-	10	10
At 31 March 2019	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	100%	Development Company	Incorporated company
Ongo Home Sales Limited	England	100%	Property sales	Incorporated company
Other investments				
MORhomes PLC	England	0.86%	Funding vehicle for social housing	Incorporated company

## Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 *(continued)*

18	Debtors	2019 £'000	2018 £'000
	<b>Due within one year</b>		
	Rent and service charge arrears	2,039	1,965
	Less: Provision for doubtful debts	(1,526)	(1,888)
		513	77
	Trade debtors	69	42
	Amounts owed by group undertakings	400	646
	Other debtors	289	296
	Prepayments and accrued income	310	315
		1,581	1,376
	<b>Due after one year</b>		
	Amounts owed by group undertakings	2,250	-
		2,250	-
		3,831	1,376
	<b>19 Creditors: amounts falling due within one year</b>		
		2019 £'000	2018 £'000
	Bank overdrafts (secured)	-	11
	Trade creditors	375	234
	Rent and service charges received in advance	956	-
	Amounts owed to group undertakings	107	289
	Taxation and social security	163	185
	Other creditors	158	129
	Deferred capital grants (note 21)	2,697	-
	Accrual and deferred income	3,701	3,908
		8,157	4,756
	<b>20 Creditors: amounts falling due after more than one year</b>		
		2019 £'000	2018 £'000
	Loans and borrowings (note 22)	59,251	59,169
	Deferred capital grants (note 21)	45,936	43,583
		105,187	102,752

# Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

21	Deferred capital grant	2019 £'000	2018 £'000
	At 1 April	43,583	43,367
	Grants received during the year	7,537	2,718
	Released to income during the year	(2,488)	(2,502)
		48,632	43,583

22	Loans and borrowings	Bank loans 2019 £'000	Total 2019 £'000
	Maturity of debt:		
	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
		49,251	49,251
		59,251	59,251
		Bank loans 2018 £'000	Total 2018 £'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	-	-
		59,169	59,169
		59,169	59,169

No additional loans have been drawn during the year. The association is carrying 5 term loans as detailed below:

	2019 £'000	2018 £'000	Interest Rate
Repayable October 2022	10,000	10,000	2.90%
Repayable October 2029	12,000	12,000	4.67%
Repayable October 2030	10,000	10,000	4.98%
Repayable October 2031	10,000	10,000	4.84%
Repayable October 2033	18,000	18,000	4.69%
	60,000	60,000	



# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 22 Loans and borrowings (Continued)

Issue costs of £1,312,500 were incurred, which have been deducted from the initial carrying value and will be 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 2019 the Association had undrawn facilities of £30m (2018 - £30m) Subsequent to the Balance Sheet date an additional revolving credit facility of £15m has been secured from the association's bankers.

### 23 Financial instruments

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

	2019 £'000	2018 £'000
<b>Financial assets</b>		
Financial assets measured at historical cost		
- Trade receivables	582	119
- Other receivables	3,249	1,257
- Cash and cash equivalents	15,840	18,140
<b>Total financial assets</b>	<b>19,671</b>	<b>19,516</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost		
- Loans payable	59,251	59,169
Financial liabilities measured at historical cost		
- Trade creditors	1,331	234
- Other creditors	4,129	4,511
<b>Total financial liabilities</b>	<b>64,711</b>	<b>63,914</b>

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 24 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 £80,462.

#### Defined benefit pension scheme (LGPS)

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

On 31 March 2019 there were 175 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.

A full actuarial valuation of the defined benefit scheme was carried out at 31 March 2016 and updated to 31 March 2019 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.

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

	2019 £'000	2018 £'000
Reconciliation of present value of plan liabilities		
At the beginning of the year	54,318	53,780
Current service cost	1,989	2,349
Interest cost	1,488	1,426
Benefits paid	(844)	(862)
Participant contributions	381	422
Changes in financial assumptions	6,127	(745)
Past service costs	1,497	290
Changes in demographic assumptions	(1,585)	(2,342)
At the end of the year	63,371	54,318

## Ongo Homes

### Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

#### 24 Pensions (continued)

##### Reconciliation of fair value of plan assets

At the beginning of the year	47,357	43,987
Interest income on plan assets	1,303	1,169
Contributions by employer	2,372	2,432
Participant contributions	381	422
Return on assets (excluding amounts included in net interest)	1,995	209
Benefits paid	(844)	(862)
<hr/>		
At the end of the year	52,564	47,357
<hr/>		
Net pension scheme liability	(10,807)	(6,961)

##### Amounts recognised in statement of comprehensive income are as follows:

##### Included in administrative expenses:

Current service cost	1,989	2,349
Past service cost	1,497	290
<hr/>		
	3,486	2,639

##### Amounts included in other finance costs

Net interest cost	185	257
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##### Analysis of actuarial (gain)/losses recognised in other comprehensive income:

Actual return less interest included in net interest income	(1,995)	(209)
Changes in assumptions underlying the present value of the scheme liabilities	6,127	(745)
Changes in demographic assumptions	(1,585)	(2,342)
<hr/>		
	2,547	(3,296)

# Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

## 24 Pensions (continued)

	2019 £'000	2018 £'000
Composition of plan assets		
European equities	37,320	33,623
European bonds	7,359	6,630
Property	6,308	5,683
Cash	1,577	1,421
	52,564	47,357
Principal actuarial assumptions used at the balance sheet date		
	%	%
Discount rates	2.4	2.7
Future salary increases	2.5	2.2
Future pension increases	2.5	2.4
Inflation assumption	2.5	2.4
Mortality rates		
for a male aged 65 now	20.4 yrs	20.9 yrs
at 65 for a male aged 45 now	21.6 yrs	22.2 yrs
for a female aged 65 now	23.1 yrs	23.6 yrs
at 65 for a female aged 45 now	24.7 yrs	25.3 yrs

## 25 Share capital

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

## 26 Operating leases

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

	Land & buildings £'000	Vehicles £'000	2019 Total £'000	2018 Total £'000
Not later than 1 year	24	160	184	214
Later than 1 year and not later than 4 years	3	386	389	140
Later than 5 years	-	-	-	-
	27	546	573	354

## Ongo Homes

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

### 27 Capital commitments

	2019 £'000	2018 £'000
Contracted but not provided for	17,222	19,528
Approved by the Board but not contracted for	10,046	22,313
	27,268	41,841

Capital commitments for the association will be funded as follows:

	2019 £'000
Social Housing Grant	9,679
Current undrawn loan facilities	1,749
Existing cash reserves	15,840
	27,268

### 28 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 it has any 'related parties' and therefore no sales were made during the year to related parties.

The following transactions took place between the Association and its associated companies during the year:

	Parent 2019 £'000	Parent 2018 £'000	Fellow Group Companies 2019 £'000	Fellow Group Companies 2018 £'000
Loan movements: advancements	-	-	2,300	-
Interest on loans	-	-	43	-
Sales of goods and services	-	-	24	1
Purchase of goods and services	-	-	1,737	2,276
Community investment	-	-	999	823
Management fees paid	-	5,250	-	-

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.

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (*continued*)

### 29 Non-compliance with NHF Code of Governance

In addition to the information on page 13, the specific areas the Board does not comply with are detailed below. The NHF Code of Governance requires organisations to comply or explain.

#### *Section B3*

Requirement: It is for each organisation to decide on its best board composition, in the case of a subsidiary within a group, this may be a matter for the group parent organisation.

Comment: Ongo Homes does not comply as under the current group structure, this is a matter for the parent, Ongo Partnership.

#### *Section C1(4)*

Requirement: Providing oversight, direction and constructive challenge to the organisation's Chief Executive and executives.

Comment: Board meetings demonstrate the board have overall oversight and direction and constructively challenge the reports brought before them. Formal oversight of the Chief Executive is a matter for Ongo Partnership.

#### *Section C1(5)*

Requirement: The appointment and, if necessary, the dismissal of the Chief Executive.

Comment: This is dealt with by Ongo Partnership as parent.

#### *Section C1(8)*

Requirement: Establishing and overseeing a risk management framework in order to safeguard the assets and reputation of the organisation.

Comment: The risk management framework is dealt with by Ongo Partnership.

#### *Section D1*

Requirement: Boards must have a strategy for their own renewal which is based on an agreed statement of skills, qualifications and attributes required, and balances the need for experienced members with that for new thinking and independent challenge. This statement should be reviewed regularly, and whenever the organisation is about to undertake new activities or become exposed to new risks.

Comment: There is no formally agreed statement around this. Will be considered as part of the 2019 governance review.

#### *Section D10*

Requirement: If the organisation is paying board members it must ensure that it has an objective mechanism for establishing payment levels. This will normally be the responsibility of a committee responsible for remuneration, using independent advice and benchmarking as required.

Comment: Remuneration levels are dealt with by Ongo Partnership board as group parent.

#### *Section E4(4)*

Requirement: Their collective performance as a decision making body

Comment: Not done during the financial year 2018/19. This was undertaken by an external governance review reported in January 2018 and a further governance review is being conducted during 2019.

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

### 29 Non-compliance with NHF Code of Governance (continued)

#### *Section F*

Requirement: The board must establish a formal and transparent arrangement for considering how the organisation ensures financial viability, maintains a sound system of internal controls, manages risk and maintains an appropriate relationship with its auditors.

Comment: Does not meet this as relationships with auditors are managed elsewhere within the group. It does receive an annual statement of assurance and considers its own budget and business plans including stress testing these.

#### *Section F3*

Requirement: All but small non-developing organisations must have a committee primarily responsible for audit, and arrangements for an effective internal audit function. Other organisations must make effective arrangements for discharging these functions.

Comment: Does not comply as this function is delivered elsewhere within the group. Ongo Homes board members are represented on this committee.

#### *Section F4*

Requirement: The committee responsible for audit must bring independent scrutiny and challenge to provide the board with assurance, and exercise oversight of the internal and external audit functions.

Comment: Does not comply as this function is delivered elsewhere within the group.

#### *Section F5*

Requirement: The committee responsible for audit must meet regularly and its minutes must be available to all members of the board. The reasons for the decisions taken must be recorded in the minutes and presented to the board for noting or endorsement.

Comment: Does not comply as this function is delivered elsewhere within the group although minutes are available to all Ongo Homes board members

#### *Section F6*

Requirement: The committee must be able to meet with the external auditors without executives or other paid staff being present at least once a year

Comment: Does not comply as this function is delivered elsewhere within the group.

#### *Section F7*

Requirement: The chair of the committee responsible for audit must either be a member of the board or have clear arrangements for reporting to the board.

Comment: Does not comply as this function is delivered elsewhere within the group.

#### *Section F8*

Requirement: The voting members of the committee responsible for audit must not include the chair of the board or any executives.

Comment: Does not comply as this function is delivered elsewhere within the group.

# Ongo Homes

## Notes forming part of the financial statements for the year ended 31 March 2019 (continued)

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### 29 Non-compliance with NHF Code of Governance (continued)

#### *Section F10*

Requirement: The board must retain overall responsibility for risk management and determine the organisation's tolerance of risk. The board may delegate the detailed scrutiny and evaluation of risk to the committee responsible for audit, or to another committee.

Comment: Does not comply as this is dealt with at Partnership level. It does however receive a risk report for consideration at each meeting looking at its own risks.

#### *Section G2*

Requirement: Like all other employees, the Chief Executive must have a written and signed contract of employment; the board must consider whether it should be reviewed at least every three years.

Comment: This is dealt with by Ongo Partnership

#### *Section G3*

Requirement: Periods of notice of more than six months and other provisions for material payments to be made or benefits granted in the event of the contract being terminated must be specifically approved by the board with the reasons for the decision clearly minuted.

Comment: The Chief Executive's contract sits with Ongo Partnership.

#### *Section G4*

Requirement: The board must delegate to a committee responsibilities that include oversight of the appraisal of the Chief Executive and making a recommendation to the board on the Chief Executive's remuneration. The committee must not include any executive members of the board.

Comment: This is dealt with elsewhere within the group so Ongo Homes does not comply.