



Regulator of  
Social Housing

## **Regulatory Judgement on Ongo Homes Limited L4486**

**February 2019**

## Publication Details

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### Reason for publication

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Governance downgrade

### Regulatory process

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Stability Check and Reactive Engagement

*Please see the definitions in Annex 1 for more detail*

### Governance

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#### **G3 (Non-compliant)**

The provider does not meet our governance requirements. There are issues of serious regulatory concern and in agreement with us the provider is working to improve its position.

### Viability

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#### **V1 (Compliant)**

The provider meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.

### Key to grades

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G1 / V1	Compliant
G2 / V2	Compliant
G3 / V3	Non-compliant and intensive regulatory engagement.
G4 / V4	Non-compliant, serious failures leading to either intensive regulatory engagement or the use of enforcement powers.

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## Provider Details

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### Origins

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Ongo Homes Limited (Ongo Homes) is a charitable registered society incorporated under the Co-operative and Community Benefit Societies Act 2014. It was formed in 2007 to take transfer of the stock from North Lincolnshire Council. Its principal activity is the management and maintenance of social housing.

### Registered Entities

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Ongo Homes is the only registered entity in the group.

### Unregistered Entities

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Ongo Homes is a subsidiary of an unregistered parent, Ongo Partnership Limited. Alongside Ongo Homes, Ongo Partnership has two other subsidiaries which make up the group:

- Ongo Communities Limited, a registered charity that undertakes community projects; and
- Ongo Commercial Limited which itself has a number of commercial subsidiaries.

### Geographic Spread and Scale

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Ongo Homes manages about 9,800 homes most of which are in North Lincolnshire. It has a small number of homes in Bassetlaw, Doncaster and North Kesteven.

### Staffing and Turnover

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Ongo Homes employs 202 staff. Its turnover for the year ended 31 March 2018 was £44.6m.

### Development

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Ongo Homes plans to develop 1,075 homes in the three year period to 2020/21.

## **Regulatory Judgement**

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This judgement downgrades the regulator's previously published judgement of Ongo Homes' governance to a non-compliant G3 grade. This means that there are issues of serious regulatory concern and that the provider is working with us to address them.

Following reactive engagement, the regulator has concluded it lacks assurance that the board of Ongo Homes has been managing its affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight. The regulator has insufficient assurance that its governance and risk management frameworks have been effective.

After a period of leadership renewal in the group, Ongo Homes brought to the regulator's attention an issue relating to a discretionary payment agreed as part of an executive remuneration settlement agreement.

Evidence gathered by the regulator, following this self-referral, confirmed weaknesses in governance, and in particular in the effectiveness of Ongo Homes' board oversight and risk management. Ongo Homes failed to be appropriately sighted on decisions taken by its unregistered parent and as a result did not ensure it was in a position to prevent key risks from materialising.

Although the decision making on this matter did not sit with Ongo Homes, there were opportunities for Ongo Homes' board to identify and manage the risks for it associated with executive remuneration, including the potential for discretionary payments to be agreed. The controls and mechanisms in place to manage risks of this nature, which included the chair of Ongo Homes' board being a member of the unregistered parent's board, were not operated effectively by Ongo Homes.

As a result, Ongo Homes' board has found itself liable for significant discretionary financial costs without visibility or effective input to the decision making, and has failed to safeguard its reputation, and that of the sector.

The regulator considers that there are material weaknesses in Ongo Homes' governance and risk management frameworks which need addressing to ensure compliance with regulatory standards.

Ongo Homes accepts the need to take steps to prevent a recurrence and has expressed its commitment to putting things right.

The regulator's assessment of Ongo Homes' compliance with the financial viability element of the governance and financial viability standard is unchanged. Based on evidence gained from the annual stability check the regulator has assurance that Ongo Homes' financial plans are consistent with, and support, its financial strategy. The provider has an adequately funded

business plan, sufficient security in place, and is forecast to continue to meet its financial covenants under a wide range of scenarios.

## Annex 1: Definitions of Regulatory Processes

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### In Depth Assessment (IDA)

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An IDA is a bespoke assessment of a provider's viability and governance, including its approach to value for money. It involves on-site work and considers in detail a provider's ability to meet its financial obligations and the effectiveness of its governance structures and processes.

### Stability Checks

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Based primarily on information supplied through regulatory returns, a stability check is an annual review of a provider's financial position and its latest business plan. The review is focused on determining if there is evidence to indicate a provider's current judgements merit reconsideration.

### Reactive Engagement

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Reactive engagement is unplanned work which is triggered by new intelligence or a developing situation which may have implications for a provider's current regulatory judgement.

### Stability Checks and Reactive Engagement

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In some cases, we will publish narrative regulatory judgements which combine intelligence gained from both Stability Checks and Reactive Engagement.

### Further Information

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For further details about these processes, please see 'Regulating the Standards' on <https://www.rsh.gov.uk>