


Onward

Creating positive spaces



ANNUAL REPORT & FINANCIAL STATEMENTS

For the year ended 31 March 2019




Onward Group Limited Annual Report and Consolidated Financial Statements

For the year ended 31 March 2019

FCA registration number 31216R

RSH registration number L4649

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Annual Report and Financial Statements

BOARD, SENIOR MANAGMENT AND ADVISORS

Members of the Board

Non-Executive Directors

Dr Neil Goodwin CBE (Chairman)
Rachel Barber (appointed November 2018)
Wyn Dignan
Breda Dutton (resigned September 2018)
William Hewish (appointed November 2018)
Paul High
Brian Roebuck (Deputy Chairman)
Mike Verrier
Charlene Wallace (resigned June 2018)

Executive Directors

Bronwen Rapley, Chief Executive
Alastair Cooper Executive Director (Operations)
Liz Curran Interim Executive Director (Finance) (appointed July 2019)
Sandy Livingstone Executive Director (Property)
Lisa Oxley Executive Director (Finance and ICT) (resigned February 2019)

Company Secretary

Catherine Farrington (appointed July 2018)
William Gill (resigned July 2018)

Principal Banker

NatWest PLC
33 Piccadilly
Manchester, M1 1LR

Principal Solicitors

Devonshires LLP
30 Finsbury Circus, London EC2M 7DT

Towers & Hamlins LLP
55 Princess Street, Manchester M2 4EW

External auditor

KPMG LLP
1 St Peter's Square, Manchester, M2 3AE

Internal auditor

PricewaterhouseCoopers LLP
1 Hardman Square, Manchester, M3 3EB

FORWARD BY THE GROUP CHAIRMAN

At Onward we are committed to making a positive difference in the communities we serve. Our focus in the past year has been on creating and operating as one, unified organisation so that we can improve the services we deliver to our customers and build more homes. I am delighted to say that we have made significant progress.

In April 2018 we brought Onward together as a 'virtual' organisation, operating with one Board under one brand. During the year we completed the legal union of four of the five housing associations and restructured our funding to achieve flexible, modern arrangements which will enable us to meet our ambitions for growth.

Major milestones in the past year included establishing a single contact centre in Accrington and launching 'My Onward', a digital app which over 7,500 residents are now using. We have also re-let responsive repairs, voids and gas contracts across the group. A notable success was that our own repairs company, Onward Repairs, which was based only in Hyndburn, will now expand to deliver the repairs service for the whole of Lancashire. We have established three regional scrutiny boards where residents are informing the development of our services and we have recruited some 500 residents who give direct feedback on areas of interest to them. We have launched the 'Big Onward Conversation' to get feedback from all our residents on the service they receive. The information will be invaluable to shape our services in the coming year.

There was a genuine risk that performance would suffer whilst we transformed the business – this was not the case. We have developed a growing performance culture, which has driven significant improvements in many key areas – notably Income Collection and Lettings. Income Collection performance in the year was ahead of target and an improvement on the prior year. This is a major success when set against the backdrop of the expanding rollout of Universal Credit. Lettings performance in general needs and older person's housing was also an improvement on the prior year, which was a real testament to the commitment and focus of the lettings and neighbourhood teams. There were challenges in customer contact and repairs, which reflected the transition to a single contact centre and a change in repair providers. The major moves have been completed and the conditions are set for an improvement in customer service.

A major commitment in our corporate plan was to build 1,600 homes by 2023. I am pleased to say that we have launched our new sales arm Onward Living (Onward Living), and the Board has approved schemes for more than 1,000 new homes, a target that looks well within our reach. We are also pleased to be a founding investor in Hive Homes, a joint venture with nine housing associations and the Combined Authority in Greater Manchester, to invest in building homes for outright sale.

We maintain always our focus on keeping customers safe and were delighted to achieve 100% compliance in gas safety at the end of the year. We have also made considerable inroads in managing fire risk, especially in the six tower blocks where much effort has been made to ensure residents both are safe and feel safe.

In the past year we invested in over 3,900 of our customers' homes, fitting new kitchens, heating, bathrooms and re-roofing. Our Homes Standard will ensure that our customers' homes now and in the future will be maintained and improved to the standard they would expect.

The financial results for the year demonstrate a positive underlying performance with good headroom against our financial covenants. The structural changes to the Group and funding arrangements resulted in a fall in surplus cash and investments but secured the flexibility and funding needed to support our ambitions. The results reflect the accounting changes related to the loan refinancing and associated legal fees and the incorporation of the Social Housing Pension Scheme defined benefit pension.

Following the publication of our five year corporate plan last year (Onward Corporate Plan) we have continued to develop our objectives to focus on three areas: customer - being the social landlord of choice; neighbourhoods – improving the experience of living in our neighbourhoods; and growth. Each of these will guide our activity in the year to come (Strategic Objectives). It is vital that we continue to improve our services, making sure that our intention to put customers first is embedded in every part of Onward and experienced by every customer. In the coming year we will build on the foundations laid this year, seeing another 300 homes built and moving closer to becoming the social landlord of choice.

FORWARD BY THE GROUP CHAIRMAN

None of our achievements would have been possible without the commitment of our Onward colleagues who have embraced the challenge of working as one organisation with enthusiasm, with energy and with ambition to deliver great service. My sincere thanks to them and to the Board for their contribution and leadership this year.

Dr Neil Goodwin CBE
Chairman

STRATEGIC REPORT

Introduction

The Board presents its Strategic Report, containing the Operating and Financial Review and value for money section, for the year ended 31 March 2019.

Overview and background

Onward (the "Group") is one of the largest housing and regeneration organisations operating in the North West of England. Onward's vision is to make a positive difference in the communities it serves.

The focus of this financial year has been to put in place strong foundations which will enable us to deliver our objectives to improve customer service and to build more homes.

Previously Onward operated as five separate housing associations and had a legal structure which matched this. Since 1 April 2018 the five organisations have operated with a unified management team and Board under the Onward brand. The legal structure has also been simplified, as explained below, which enabled us to negotiate changes to the funding structure to create flexibility for future growth.

During the year, a new customer contact centre was created which provides services to customers throughout the whole business. There has also been a significant focus on development, creating the right team and schemes which will deliver our ambition to build more new homes.

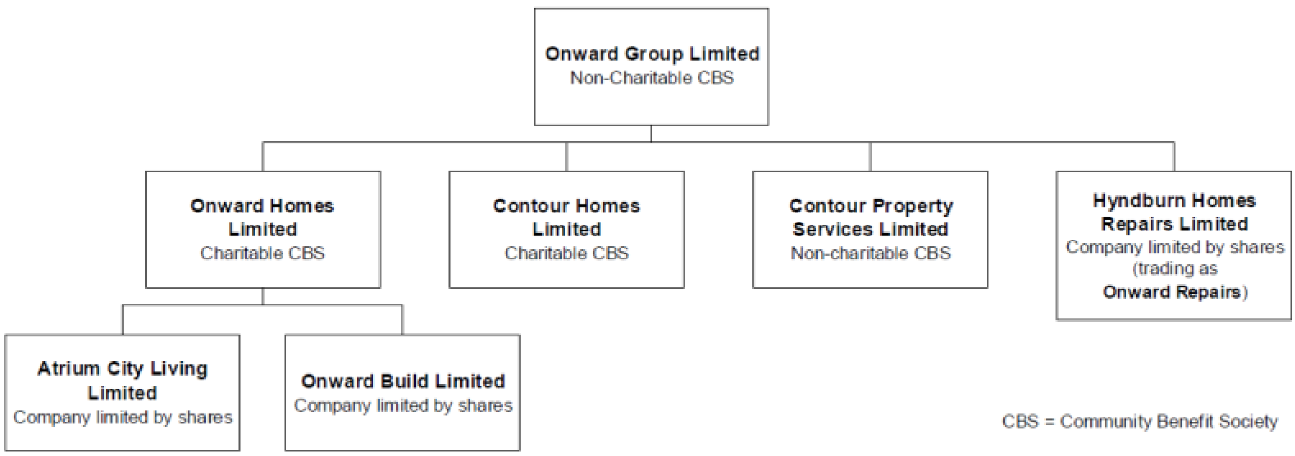
Legal structure and objectives

Onward Group Limited (the 'Association'), the Group parent, is a non-charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority (31216R) and the Regulator of Social Housing (RSH) as a Registered Provider of social housing (L4649).

A number of legal entities within the Group were amalgamated on 1 October 2018. A transfer of engagements took place from Hyndburn Homes Limited, Peak Valley Housing Association Limited and Ribble Valley Homes Limited into what was then Liverpool Housing Trust and the amalgamated entity was renamed Onward Homes Limited.

On 1 October 2018, which is the date on which the formal 'Acknowledgement of Registration of Change of Name' was issued by the Financial Conduct Authority, the parent company changed its name from Onward Homes Limited to Onward Group Limited. Just prior to 1 October 2018, the parent company (now called Onward Group Limited) acquired Hyndburn Homes Repairs Limited from Hyndburn Homes Limited. Hyndburn Homes Repairs Limited now trades as Onward Repairs. This amalgamation has created a simpler legal structure as shown below.

On 20 March 2019 Onward Group Limited moved its commercial subsidiary Atrium City Living Limited to be a wholly owned subsidiary of Onward Homes Limited. This enabled Atrium City Living to be the investment vehicle in two joint ventures which will deliver new homes. Onward Build Limited, also a subsidiary of Onward Homes Limited, has been set up during the year as a development company which will be used to provide development services to the Group and support the building of new homes in the future. As at 31 March 2019 Onward Build Limited was dormant as it has not yet started trading.



In summary the Group is now led by a common Board which has responsibility to ensure consistency of strategy and service across the Group. The restructure means that there are now just two charitable housing association registered providers within the Group – Onward Homes Limited and the smaller Contour Limited. These two organisations own all of the properties and deliver the majority of services to our customers.

Operating and Financial Review

Financial review

The Group is pleased to report a net surplus for the year of £15.3m (2018 restated: £32.5m). The surplus was, as expected and forecast early in the year, below the budget of £21.2m due to agreed costs and interest payments associated with the legal amalgamation and associated loan restructure. Net surplus was 10.4% (2018 restated: 19.2%) of turnover and the operating margin was 25.5% (2018 restated: 28.6%). Total Comprehensive Income was further adversely impacted by £19.2m as a result of recognition of the multi-employer SHPS pension scheme together with actuarial losses on pension schemes. Underlying operating performance remains solid and in line with our Business Plan and is evidenced in the Operating Review below.

Total turnover decreased from £168.9m to £146.8m in 2019 - a decrease of 13.1%. Excluding income from Cobalt Housing Association, which left the Group in September 2017, the decrease is 6.6% from 2018. That reduction is primarily as a result of the 1% reduction in rents in April 2018 and the pension accounting changes which brought a one off £5.5m curtailment benefit to turnover in 2018. The Group continues to generate a strong net cash flow from operating activities of £46.7m (2018: £53.1m).

The Group ended the year with cash and short-term investments of £48.4m. These resources will continue to be used to fund the Group's objectives over the next three years. Short term investments reduced by £84m over the last year as part of the restructure of loan financing during amalgamation.

At a Group level, interest cover (which measures the extent to which the adjusted surplus covers interest payments) is 1.7 in 2019 (2018 restated: 3.1), and gearing (which measures the level of indebtedness, and using the Value for Money metrics definition) has changed little to 23.6% (2018 restated: 24.8%). Significant reduction in debt has been largely offset by reductions in short term investments. These ratios remain comfortably within the minimum and maximum levels permitted by funders' loan agreements.

During this year we have carried out work to assess the consistency of housing asset carrying costs, related depreciation and deferred grant. The work initially focussed on assessing consistency of assumptions made in historical restatements across the Group. That work has resulted in a prior year adjustment to ensure that the accumulated depreciation and deferred grant are consistent with the remaining useful lives of those assets. That restatement has resulted in an increase in net book value, and a reduced future annual depreciation charge, offset by a slower amortisation of deferred grant. The changes are explained fully in the notes to the financial statements.

The following table explains the main reasons for the change in operating surplus between 2018 and 2019.

Operating Surplus 2018	**£m** **32.5**
Deduct one off gains included in 2018 results:	
• Net settlement on exit of Local Government Pension scheme	(4.2)
• Surplus contribution and exit payment from Cobalt	(3.0)
One off costs included in 2019 results:	
• Management restructuring costs including creation of a unified customer contact centre	(2.2)
• Mark to market interest payments and legal and consultancy costs incurred on loan refinancing as part of the Group restructure	(9.0)
Increase in surplus on disposal of housing assets compared to 2018	1.2
Operating Surplus 2019	**15.3**

A five year summary of the Group's financial performance is shown below. Turnover has held up well during a period of rent reduction. Operating costs have fallen consistently in real terms over the period as indicated by the increase in headline unit costs over the period being significantly less than inflation over that same period. At the end of a challenging period in the social housing sector Onward has emerged with a strong balance sheet and stable operating performance, but with plans to improve by comparison to our peers. The recent amalgamation and loan restructuring prepares the way for Onward to utilise its balance sheet strength to deliver not only our committed development programme but also a strong programme of growth into the future.

Statement Of Comprehensive Income	2019 £m	*2018 £m	**2017 £m	**2016 £m	**2015 £m
Turnover	146.8	168.9	181.3	183.8	181.3
Operating Costs & Cost Of Sales	(112.1)	(122.1)	(135.9)	(141.0)	(133.9)
Gain/(Loss) on Disposal of Housing Property Assets	2.8	1.6	1.4	1.3	0.0
Operating Surplus	37.5	48.4	46.8	44.0	47.3
Interest Receivable	3.0	0.5	0.9	1.0	1.4
Interest Payable	(24.3)	(15.6)	(16.7)	(17.6)	(17.2)
Surplus on Disposal of Assets	(1.0)	(0.8)	(0.1)	0.5	0.1
Taxation	0.1	(0.0)	-	-	-
Surplus for the year after Tax	15.3	32.5	30.8	28.0	31.5
Other Comprehensive Income	(19.2)	1.7	(2.7)	2.6	(4.7)
Total Comprehensive Income for the Year	(3.9)	34.1	28.1	30.6	26.8

Statement of Financial Position	2019 £m	*2018 £m	**2017 £m	**2016 £m	**2015 £m
Housing Properties net of Depreciation	1,059.9	1,054.2	1,197.6	1,211.4	1,210.8
Other Fixed Assets, Investments & Long Term Debtors	37.1	38.1	39.8	43.7	39.0
Net Current Assets	27.3	100.1	106.8	104.1	92.8
Total Assets Less Current Liabilities	1,124.4	1,192.6	1,344.2	1,359.2	1,342.6
Loans Due After 1 Year	289.3	377.4	432.7	454.4	465.8
Other Long Term Liabilities	447.2	457.6	483.6	489.2	491.5
Pension Liability	35.1	0.9	-	-	-
Revenue Reserves	352.8	356.7	427.9	415.6	385.6
Long Term Liabilities & Reserves	1,124.4	1,192.5	1,344.2	1,359.2	1,342.6

Financial Ratios	2019	*2018	**2017	**2016	**2015
Operating Margin (Overall)***	25.5%	28.6%	25.8%	23.9%	26.1%
Net Margin	10.4%	19.2%	17.0%	15.2%	17.4%
Return on Net Assets (RONA)	1.4%	2.7%	2.3%	2.1%	2.3%
Return on Capital Employed (ROCE)	3.3%	4.1%	3.5%	3.2%	3.5%
EBITDA-MRI	151%	360%	308%	251%	251%
Interest Cover	1.7	3.1	2.9	2.6	2.8
Gearing	23.6%	24.8%	25.3%	27.2%	29.2%
Headline Social Cost Per Unit	3,413	3,718	3,151	3,442	3,344
Net Debt Per Unit	8,625	9,102	8,509	9,260	9,900

* 2018 figures have been restated for a Prior Year Adjustment. See note 42 for full details.

** Not Restated

*** Operating Margin (Overall) in RSH VfM metric table excludes gain on fixed assets (housing properties)

Operating review

Performance

The Group has maintained performance against targets set in the first year of its 2018-19 financial plan and maintained its financial viability and strength.

The last twelve months has seen significant restructure in the business of the Group with the reorganisation of legal entities to follow up the change to a single management structure. The Group has published its five year plan (Onward Corporate Plan) and strategic objectives (Strategic Objectives).

The Board is pleased to provide the following details in relation to its key housing management and maintenance performance. These reflect the type of indicators that the Executive Team and Board review to ensure the group is achieving its objectives and strategies.

Voids / relets

Measure	2019	2018	2017	2016
Void Loss %	**1.65%**	1.69%	1.67%	1.97
Average re-let (days)	**48.95**	43.51	48.92	56.79

One of the Group's key performance indicators is the amount of money lost when properties become void and days empty when properties cannot be immediately re-let to tenants in need of homes. The association aims to re-let properties as soon as possible after the previous resident leaves. However, sometimes this may not be possible because the property may require refurbishment. We have seen a relatively consistent void loss position over the last three years, albeit re-let times remain high.

Last year we assessed the performance of all property assets using the Savill's Asset Performance Evaluation model. For long terms voids we option appraise whether to reinvest in order to bring the home back into use or to dispose of the unit. Where possible we bring properties back into use and those that are no longer appropriate for social lets are sold to raise funds to reinvest in new homes. As a result this year we disposed of 32 empty properties. The impact of this strategy for long term voids means that the average time to let remains high; however, we have seen good progress in re-let times for ordinary voids which are averaging 29.3 days.

Income collection and arrears

Measure	2019	2018	2017	2016
Rent Collection %	**100.2%**	99.9%	99.9%	99.3%
Arrears - current residents %	**4.95%**	3.88%	5.04%	5.48%
Arrears - former residents %	**1.28%**	1.38%	1.59%	1.74%
Arrears - Total %	**6.23%**	5.26%	6.63%	7.22%

Rent collected and the volume of arrears is a key indicator of our ability to deliver core business and our overall rent collection performance remains high and has improved in the year at 100.2% (2018: 99.9%). Our team remain vigilant to the emerging challenges of universal credit and are deploying changing working processes to ensure collection.

Repairs

The standard of our repairs service and the quality of our homes both remain really important to the organisation.

The statistics below demonstrate a reduced volume of repairs per property, with an increased average cost per property.

Measure	2019	2018	2017	2016
Ave no. repairs per property	3.53	3.80	3.80	3.66
Repairs cost per property	£490	£437	£439	£413

During the year we have retendered the contracts for responsive repairs and gas servicing across the group. The new contracts took effect on 1 April 2019 and will provide a further platform for improved customer service.

Financial results

On financial management the association adopts realistic and prudent financial assumptions when setting its budgets and business plans. Our actual results against our budgets are closely monitored to ensure that any adverse variances are identified early and corrective action is taken. Actual results were only below budget due to specific decisions taken to bring forward some planned maintenance expenditure and the completion of the financial restructure.

Opportunities to secure efficiency gains and cash savings are also actively pursued.

Measure	2019	2018	2017	2016
Actual results > Business Plan	**No See note**	**Yes**	**Yes**	**Yes**
Budget net surplus	£21.2m	£17.8m	£26.5m	£24.3m
Actual net surplus	£15.4m	£27.8m	£29.6m	£27.9m
Loan covenant compliance	**Compliant**	**Compliant**	**Compliant**	**Compliant**

Note - The original budget surplus was not achieved, however this was because of planned changes made during the year. The results were still sufficient to ensure that all loan covenants were met.

Development and reinvestment

We have committed to deliver 1,600 new homes by 2023 and are on target to achieve this objective. Our Board has now approved development schemes that will deliver over 1,000 homes. In 2018/19 we completed 101 new homes, and plan to complete 200 homes in 2019/20 and 400 the following year.

Our investment of £3m in Hive Homes, which is a joint venture between ten Greater Manchester housing associations and the Greater Manchester Combined Authority, will deliver over 600 affordable homes for sale in Greater Manchester.

Investing in and maintaining the standard of our existing homes remains our priority. Our Homes Standard will ensure that our customers' homes now and in the future will be maintained and improved to the standard they would expect. In 2018/19 we invested over £20m in over 3,900 of our existing properties via our programmes of cyclical maintenance and fabric repair and capita investment including fitting new kitchens, heating and bathrooms and re-roofing.

Risk and uncertainty

The Group has a Risk Management Strategy in place and it has fully embedded the risk management process. The risk management process includes regular identification and review of risks by Board, the Executive and operational managers. Information with regards to the management of risk is reported to the Audit and Risk Committee at each meeting which includes information about controls and actions planned to mitigate risks.

The Group has worked with PwC, its internal audit partner, to establish an internal audit plan for 2018-19 which was closely aligned to the strategic risk register to provide assurance as to the operation of controls and the management of risk throughout the business.

The Board has identified the following ten key strategic risks that it considers a potential threat to the achievement of strategic objectives.

Risk	Mitigation
Mobilisation of the responsive repairs and gas contracts	A project team has been established to mobilise the contracts drawing specialists from across our business. In addition, robust performance indicators have been established to monitor performance in key areas.
Governance	The recruitment and development of experienced non-executive directors ensures that those charged with governance are able to discharge their responsibilities effectively. A robust governance framework ensures that the Board and Committees receive accurate and timely information that is of good quality to support effective decision making. We work with external organisations to challenge our governance arrangements and support further improvements.
Quality of Service to Customers	We monitor the service we deliver to our customers using a range of performance indicators which are reported to management and Board each month. Areas of underperformance are discussed in detail and action plans established where needed. We regularly ask our customers how they think we are performing and review our service delivery as needed.
Political Uncertainty	We keep a watching brief on political developments. As a business we remain flexible to manage the key risks that may arise and we have the ability to amend our business plans accordingly. We have completed robust stress testing which means we are well placed to respond to key risks should they crystallise.
Development	Experienced colleagues have been recruited to support the delivery of our development aspirations. This has allowed Onward to identify a number of strategic development opportunities and establish a development scheme pipeline. We have entered a joint venture with a developer to deliver a key scheme which supports the delivery of our corporate objectives. In addition, we have established a development subsidiary to undertake a proportion of our development schemes, this will ensure our development arrangements are appropriately governed.
Cyber Security Incident	Cyber security is an increasing risk for all organisations. To manage this risk our colleagues within IT have established a range of controls to protect our systems and data. We actively monitor cyber threats and review our controls accordingly.
Failure to engage with customers at a strategic level	We offer a range of engagement opportunities to our customers and offer opportunities to be involved in key projects, our approach helps to ensure that our objectives reflect customer aspirations. We monitor the success of our approach through regular customer feedback.
Health and Safety – Statutory Property Compliance	We have established a range of performance measures to monitor compliance with our statutory responsibilities. Information is reported to Board on a regular basis to allow our performance to be measured at the highest level.
Sustainability - Sheltered and Supported Housing	We are working with a number of third parties to review our stock in this area and establish strategic plans to support housing need and the needs of our business. The performance of our existing stock is monitored through established reporting arrangements.
Data Quality	It is important that we have access to accurate data to support effective decision making. We have established a robust framework to ensure that our information is accurate and a process to ensure that on an ongoing basis we review and test the accuracy of the information we hold.

The impact of the tragedy at Grenfell Tower continues to be felt. Onward has carried out a review of all its housing blocks over six stories in line with Government guidance. The Group has worked collaboratively with local fire authorities to ensure fire safety is maintained, providing reassurance to customers residing in our six tower blocks and has reviewed current evacuation procedures with customers individually while continuing to provide fire safety advice to customers generally. All fire safety documentation and controls have been reviewed and, following investigations, external cladding installed to a number of the tower blocks has been confirmed to meet current fire safety standards. Work has begun to install sprinklers in suitable blocks to improve safety. We continue to monitor and review this risk.

The Board reviewed the risks surrounding Brexit and also took advice from PwC. We considered that the strategic risks to the Group are sufficiently accommodated within the political uncertainty and development risks above. We developed an operational plan to address potential shortages of components and other practical matters which is kept under regular review.

Treasury objectives and strategy

The Group regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities focuses on their risk implications for the Group.

It also acknowledges that effective treasury management supports the achievement of Onward's objectives. It is therefore committed to the principles of achieving best value in treasury management, and to employing suitable performance measurement techniques, within the context of effective risk management.

In addition to these core objectives, the Board has set annual targets and approval criteria within which the treasury management function operates, including:

- A limit on exposure to variable interest rates, currently within tolerance at 44% (2018:42%)
- Use of derivative instruments only when approved by the Onward Board; £ Nil at 31 March 2019
- Approved sources of borrowing and investment; all borrowing is from approved sources

The Group is financed by a combination of retained reserves, long-term loan facilities and project-specific grants to part-fund the acquisition and development of new homes. The Group has the financial capacity to repay its loans in accordance with the repayment profile of its loan facilities.

Pursuit of further development opportunities beyond 2018-19 may involve new funding facilities being agreed or varied to provide additional flexibility. Should this be necessary, it will be presented to Board for approval in a timely and ordered manner.

The Group prepares detailed 12-month rolling cash flow forecasts which are updated each month, in addition to the longer-term forecasts linked to our financial plans.

All surplus cash balances are invested in accordance with a prudent Credit and Counterparty Policy. Investments are time limited and are restricted to institutions or money market funds that meet minimum credit criteria. All financial covenant limits set by lenders during the year have been met.

Corporate governance

The Board complies with the National Housing Federation Code of Governance and is committed to upholding the Code of Practice for Board Members. The Board meets frequently to determine policy and to monitor the performance of the group and member organisations. There are no areas of non-compliance.

The Group operates three committees:

- Audit and Risk Committee
- Finance and Performance Committee
- Nominations and Remunerations Committee

The Board has delegated day to day management to a group of Executive Directors. The Executive Team is led by the Chief Executive and has responsibility for making decisions in relation to strategic issues and other issues with group-wide implications, overseeing regulation and monitoring financial viability. The Executive Team meets on a regular basis and recommends policy and strategy decisions to the Board.

Value for Money (VfM)

Strategy and Approach

Our corporate plan sets out our ambition to make the best use of our resources. The major activities we have undertaken to deliver this have focussed on bringing five organisations into one to create a more effective organisation and to use our combined financial strength to deliver 400 new homes per annum from 2023.

We are aware that we do not build as many homes as our peers and improving this is one of the main drivers of our corporate strategy. We also recognise that our customer service has been inconsistent and could improve and this is a key driver for all our activities.

This year we operated for the first time as one organisation; first virtually from April 2018, and then completing a transfer of engagements and associated financial restructuring in September 2018. This restructure removed constraining covenants and created the flexibility we needed to invest and build.

We have used this freedom to commit to build over 1,000 new homes and to invest in a joint venture with Greater Manchester housing providers, Hive Homes, to build for outright sale. We have launched our new sales arm, Onward Living, and this year we will be on site with 300 new homes.

Becoming more efficient drives a whole range of corporate projects, chief of which this year was the establishment of a single contact centre replacing five separate centres and thereby creating 40 jobs in Accrington. We are making significant improvement in our online offer to customers with the launch of My Onward, seeing over 25% of our customers sign up in the first year.

Behind the scenes we have made great strides to align processes so that we work in one consistent way across the Group. Another significant step forward was re-tendering our responsive repairs, voids and gas contracts from 1 April 2019. There is more to do this year and beyond.

At Onward we recognise that all the resources of our organisation, from financials to assets to our people, have a key contribution to make in securing improved VfM outcomes. Our approach is embedded across our business. When we lower our costs, we release funds to deliver more beneficial outcomes in line with our strategic intent. We have in place ambitious plans to improve our efficiency, economy and effectiveness.

The level of change needed to reshape the organisation means that we have chosen to focus on the overall outcomes measured by the sector scorecard (partially reflected in the regulator's VFM metrics set out below). We do agree business cases for specific projects and monitor the outcome and we refer to these in this report where relevant. We recognise that we are in a period where we need to invest to build our effectiveness, and the capability of the organisation to improve customer service and to build more homes. As such our focus is on achieving the targets identified in our corporate plan.

The table below sets out our key VfM activities during 2018-19 and the outcomes.

Activities	Outcomes
Group reorganisation: Collapsing four entities into one and renegotiating the funding arrangements to provide consistency, headroom and financial freedom. Ability to on-lend which allows for an increase in development capacity. The business case included a detailed evaluation of the value of the deal, evaluating the cost of finance over the long term, break costs and the optimal structure to realise the Group's financial capacity.	£1.8m saved over the next five years. Schemes identified and approved for building 1,000 new homes. Investment of £3m in Hive Homes approved.
Rationalised 5 contact centres across 5 locations into one centre in one location. Reduced headcount, supporting 'one Onward' approach to customer service, improved control and visibility.	Business case out performed by delivering in-year savings of c£700k. Projected future year savings of £500k per annum.
Strengthening of central procurement team to deliver an improved procurement service and year on year savings through improved procurement.	Procurement strategy and policy approved by Board and now embedded across the Group. Re-letting of contracts commenced across Property, Operations, ICT and Corporate categories, aggregating spend where appropriate to deliver economies of scale. £85k annual savings on the Lifeline service. Group wide kitchen & bathroom replacements contract achieved in year saving of £431k and £328k against original out turn rates. Social value requirements in kitchen supply contracts will see introduction of volunteering, job shadowing and CV writing opportunities, 2% of value of repairs contract invested in in delivering social value (including apprenticeships, learning opportunities, healthier homes – with monitored and reported indicators), traineeship and volunteering programmes

Activities	Outcomes
	attached to the cyclical contracts.
Brought outsourced communications support into the existing in-house Communications and Marketing team	Savings of £33k per annum.
Reviewed the office estate, including review of general running costs Office strategy discussions about the estate, where the Group is best located going forward and the potential for rationalisation	A full review of our main and satellite office costs during 2018-19 culminated in a strategic review and action plan going to Board in July 2019. Decisions made at that meeting are expected to deliver annual savings of £500k per annum by 2020-21.
Procurement of new responsive repairs, voids and gas contracts which commenced on 1 April 2019. The new contracts were for the Greater Manchester and Merseyside regions; Lancashire will be serviced by an expanded Onward Repairs internal workforce.	Although our new contracts are not directly comparable with our previous arrangements the overall costs are expected to be £80m over the next five years compared to an estimated £87m under the previous contracts – an estimated £1.4m annual saving.
Asset management review of approaches to long-term voids and older persons housing.	Properties with negative returns placed into our ethical disposals programme raised £2.3m.
Acquisition of 99 homes in April 2019 from Regenda to complement particular neighbourhoods which can be managed without any additional resources.	£0.9m of additional gross rental income per annum.

We monitor our progress through monthly reporting on corporate plan projects, performance and financial targets to the executive team and every two months to Board. Action plans are put in place where performance does not reach the required standard. We also work with the regional scrutiny boards to identify opportunities to improve services and VfM and publish quarterly performance updates to customers. Our initial 2019-20 budget process incorporated efficiency savings of £1.7m. This was from targeted improvements in areas such as staffing costs (recruitment, sickness and other absence cover), voids turnover, disrepair management, and IT efficiencies.

The table below compares our performance using the metrics that the Regulator of Social Housing has recently introduced as part of the updated VfM Standard.

RSH Metrics	Onward Homes 2019	Onward Homes 2018	Peer Group Average 2018	Sector Average 2018
Reinvestment %	3.3%	2.6%	5.3%	6.7%
New supply delivered %: social housing	0.9%	0.2%	0.3%	1.8%
New supply delivered %: non-social housing	0.0%	0.0%	0.2%	0.2%
Gearing %	23.6%	33.5%	31.5%	40.2%
EBITDA-MRI %	151%	316%	299%	389%
Headline social housing cost per unit (£'000)	3.41	3.50	3.58	4.39
Operating margin %(social housing)	23.1%	23.7%	30.1%	30.8%
Operating margin %(overall)	23.6%	24.7%	28.6%	27.3%
Return on capital employed %: (overall)	3.3%	3.7%	6.5%	5.1%

Overall 2019 operating margin % of 23.6% in this table is calculated according to the Value for Money metrics technical note guidance from the Regulator of Social Housing. This calculation adjusts for gains/(losses) on disposal of fixed assets (housing properties) if included within the operating surplus. In 2019 these gains were £2.8m and the operating surplus if you include them becomes 25.5%.

Our chosen peer group is The Riverside Group, Torus62 and Your Housing Group. These providers are broadly of a comparable structure and size and operate in the North West.

We note particularly this year that our delivery of new supply has considerably picked up and compares favourably with our peer group – but clearly we should be achieving more when looking at the sector average. Our Business Plan targets from 2019/20 reflect our ambition to do just that.

In addition

- Much of cost of the Group restructure was borne in 2018-19, and this was responsible for the lower EBITDA-MR % and partly responsible for holding back improvement in our operating margin.
- The constraints imposed by the previous Group structure are evident in the new supply delivered figures above. The restructure and associated refinancing has increased our development capacity and the Board has approved a larger development programme, albeit one which reflects a responsible rate of growth in both development capability and programme.
- Reinvestment has been lower than our peers and sector average. Programmes and resources are now in place to double our level of investment and these are incorporated into our Business Plan.
- Gearing % - Onward's gearing is low compared to the wider sector and the peer group, reflecting the constraints on both development capacity and ambition imposed by the previous group structure.
- Operating margin % - our margin is currently around 5 percentage points below our peer group and sector average. 2019 includes significant operating costs relating to amalgamation.
- Headline social housing cost per unit - Onward performance is comparable to its peers but much better than the sector average on this metric despite the impact of changes to accounting for the defined benefit pension scheme which added around £110 per unit to our costs in 2018-19.
- Return on capital employed ROCE - Onward is currently showing a return on capital employed of 3.3% vs 3.7% of a year ago and the 6.5% of our peers. The newly revised approach to Asset Management mentioned above will see ROCE improve.

Key Priorities for 2019-20

2018-19 was largely a year of preparation. We expect 2019-20 to be one of delivery, particularly in customer service improvements.

Our corporate projects will focus on

- Modernisation – improving access to all systems to improve customer service and improving workplaces
- Compliance – delivering a major programme of fire risk works
- Information management – improving data management and analysis to support for example better income collection
- Strategy – continuing our work to evaluate the performance of different product and future investment requirements. The focus this year will be on sheltered and supported
- Development and regeneration – building more homes and developing plans to regenerate key areas.

Longer-term

The current projections for the Sector Scorecard metrics, which the Board has agreed in its 30-year business plan, are set out below. The Board has set conservative targets for the first five years of that plan. The four remaining projected years of that period are set out below. The ratios indicate our increasing development capability as we gear up to taking advantage of our newly released capacity and ensure that risk management processes keep track with our growing ambitions.

Measure looking forward	From Approved Business Plan			
	2020	2021	2022	2023
Homes in management at the year end*	29,765	30,152	30,539	31,026
Reinvestment %	4.80%	5.20%	4.50%	4.90%
New supply delivered %: social housing	1.00%	1.60%	1.60%	1.80%
New supply delivered %: non-social housing	0.00%	0.00%	0.00%	0.00%
Gearing %	26%	26%	25%	24%
EBITDA-MRI %	242%	218%	228%	247%
Headline social housing cost per unit	£3,604	£3,742	£3,800	£3,805
Operating margin %: (social housing)	19.60%	21.60%	22.50%	23.50%
Operating margin %: (overall)	20.10%	22.20%	23.10%	23.50%
Return on capital employed %: (overall)	2.70%	3.10%	3.40%	3.60%

* Indicative social and affordable units for planning purposes only

- Re-investment (2019: 3.3%) is planned to increase significantly following completion of operational and strategic stock reviews. This investment is based on implementing the output of 100% stock condition surveys.
- New supply of social housing units (2019: 0.9%) is planned to double in the short term and the next iteration of our Business Plan will clearly articulate our ambitions to do more. Committed projects demonstrate our ability to deliver the Homes England programmes and we will grow our development capability further.
- Gearing % - remains low but we are now in a position to use that capacity to build more homes in the future. Our next Business Plan will demonstrate our ambition.
- EBITDA-MRI % - this ratio remains strong throughout against covenants.
- Operating margin improves from 19.6% in 2020 to 23.5% by 2023 illustrating efficiency and procurement savings from our Group structure. Typical examples of those savings are included in the key VfM Activities table above.
- Headline social cost per unit - this remains the area of focus for the Board with further improvement required.

Onward recognises that it is on a VfM journey which began with the Group restructure and which is now turning to a strong focus on delivering measurable VfM returns. Our performance against our peers reflects part of the reasoning behind the restructure and demonstrates that we need to build on the platform we have put in place to drive further improvements.

Strategic report

The Strategic report including the Operating and Financial Review was approved by the Board on 18 September 2019 and signed on its behalf by:

C. Farrington

Catherine Farrington
Company Secretary
12 Hanover Street, Liverpool, L1 4AA

DIRECTORS' REPORT

The Board presents the Onward Group Limited Annual Report (the 'Annual Report') and the audited financial statements for the year ended 31 March 2019.

Principal activities

Onward Group Limited is the ultimate holding company within a group structure, Onward, (the "Group"). Details of members of the Group are given in note 1 of these financial statements.

Onward Group Limited is responsible for establishing the Group's overall policies and strategies, for monitoring compliance with Group objectives and performance against Group targets, within a clearly defined framework of delegation and system of control.

The Group's principal activity is the provision of general needs, sheltered and supported housing accommodation at affordable rents to those in housing need and providing low-cost home ownership. It is also engaged in improving the social, economic and environmental challenges facing the neighbourhoods in which it operates.

These objectives are carried out for the public benefit as set out in the financial statements. The Board considers legal advice and Charity Commission guidance when determining the activities that the Group undertakes to deliver these objectives.

Board members and executive directors

The current Board members and executive directors of the Group (and others who served during the period) are set out on page 2.

The Board members are drawn from a wide background bringing together professional, commercial and other experiences. Board members are remunerated for their services to the Group and are permitted to claim expenses incurred in the performance of their duties. Details of Board remuneration are set out in note 8 to the financial statements.

Executive director's remuneration

The remuneration of the executive directors is reviewed by the Nominations and Remuneration Committee, who make recommendations to be considered and determined by the Board.

Service contracts

The executive directors are employed on the same terms as other employees and their notice period is three months.

Pensions

The executive directors are able to participate in the Social Housing Pension Schemes on the same terms as all other eligible staff and the group contributes to the schemes on behalf of its employees. Non-executive directors are not eligible to participate in any Group pension scheme.

Other benefits

The executive directors are only entitled to benefits available to all colleagues including a health cash plan. Full details of executive remuneration are set out in note 8 to the financial statements.

Statement of compliance

The Board report and financial statements have been prepared in accordance with applicable reporting standards and legislation.

Health and safety

Health and safety is an integral part of the proper management of all the undertakings over which the Group has control. The Group promotes safe practices and continuous improvement through a Health and Safety Committee. Onward is committed to ensuring:

- The health, safety and welfare of all its customers, leaseholders, employees, contractors and third parties involved in the operations of the Group
- The safety of the general public who use or have access to premises or sites under its control
- The way in which it operates contributes to the wellbeing of the community at large

Donations

The Group made charitable donations totalling £10,000 in the year (2018: £500). No political donations were made during the year.

Corporate governance

The Group is governed by a Board of non-executive and executive members but day-to-day operational control is delegated to the Chief Executive and executive directors. The Board meets on a regular basis.

The Board complies with the National Housing Federation Code of Governance and is committed to upholding the Code of Practice for Board members. The Board meets frequently to determine policy and to monitor the performance of the Group. There are no areas of non-compliance.

The Group operates an Audit and Risk Committee which reports to the Board. The committee receives reports from Business Assurance which validates and advises on risk and the effectiveness of internal controls.

Board membership of the Group and subsidiaries is tailored to the individual circumstances of its operations. The Nominations and Remuneration Committee has responsibility for ensuring that each Board has effective governance arrangements and that these are fully implemented.

Executive team

The Board has delegated day to day management to a group of executive directors, the Executive Team, to control the operations of the Group. The Executive Team meets on a regular basis and recommends policy decisions to the Board.

The Executive Team, led by the Chief Executive, has a role in ensuring the effective performance and successful service delivery of the Group to customers, communities and neighbourhoods in line with the business plan objectives.

Employee involvement

The Board recognises that its employees are its greatest asset and that it cannot achieve its aims and objectives without their involvement and contribution towards running the organisation.

The Group communicates and consults with its employees through a variety of structures including regular team briefings, direct communication, a colleague forum, colleague surveys and trade union meetings.

The Group is committed to developing a culture in which equality and diversity is integral to all of its activities, including the recruitment and development of colleagues. It aims to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas.

Corporate social responsibility

The Board are committed to being a socially responsible organisation by managing in a socially responsible way, ensuring adherence to legislation and operating ethically. The Group is actively working with local communities and partners to improve the life chances of its tenants and residents.

Disclosure of information to auditor

So far as each of the directors of the Group is aware, at the time this report is approved:

- There is no relevant information which the Group's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

The Board is responsible for preparing the Board's Report and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and association for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply 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. It is responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement of internal control

The Board acknowledges its ultimate responsibility for ensuring that the Group has in place a system of internal control and risk management that is appropriate to the various business environments in which it operates and for the review of the effectiveness of that system during the year.

The Audit and Risk Committee is responsible for monitoring this system and reporting on its effectiveness to the Board.

Internal controls are designed to identify and manage, rather than eliminate, risks which may prevent an organisation from achieving its objectives.

The system of internal control is designed to manage risk and give reasonable rather than absolute assurance with respect to:

- the achievement of key business objectives and expected outcomes
- the preparation and reliability of financial and operational information used within the organisation and for publication
- the maintenance of proper accounting and management records
- the safeguarding of assets against unauthorised use or disposition.

Internal assurance activities

The process followed to identify, evaluate and manage significant risks faced by the Group is ongoing and has been in place during the past financial year and up to the date of the annual report and financial statements.

Internal audit assurance

The externally sourced internal audit function is used to provide assurance on the operation of the control framework and the management of risk. Internal audit are not responsible for the design and construction of control systems but provide an assessment as to their effectiveness.

The Audit and Risk Committee oversees the work of the internal auditor and reviews reports issued by them. The Committee is responsible for monitoring actions identified as a result of internal audit findings and ensuring that they are implemented in a timely fashion.

External audit assurance

The work of the external auditor provides some independent assurance over the adequacy of the internal control environment. The Group receives a management letter from the external auditor which identifies any internal control weaknesses. The Board itself, and through the activities of the Audit and Risk Committee, has reviewed the outcome of external audit work and the external audit management letter.

Fraud

The Group has a current policy on fraud which includes both fraud prevention and detection. Information with respect to frauds and losses is reported to the Audit and Risk Committee at each meeting.

Review of risk management and governance arrangements

Risk management arrangements should mitigate against risks materialising.

A risk management framework has been established within Onward. The framework has operated within 2018-19 and is embedded within the business.

A risk appetite statement has been formally defined and is reviewed and updated on a six monthly basis by the Board.

Conclusion

The Board acknowledges that its responsibility applies to the full range of risks and controls across all Group activities.

The Board has considered the effectiveness of the system of internal control in place in the year ended 31 March 2019. The Board considers that governance, risk management and internal control arrangements are operating effectively.

The Board has also formally reviewed compliance with the RSH's Governance and Viability Standard and supporting Code of Practice. An evidence based assessment against each element of the Standard and the Code was carried out in preparation for making a statement of compliance to the Board and tested with resident scrutiny boards. The Board approved the statement and formally certified its compliance with the Standard and Code for 2018-19 at its meeting in June 2019.

DIRECTORS' REPORT

Going concern

The Group has in place long-term debt facilities (including £50 million of undrawn facilities at 31 March 2019), which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Group also has a long-term financial plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the annual report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Independent auditors

A resolution to appoint the Group's auditor will be proposed at the forthcoming Annual General Meeting. KPMG LLP have indicated their willingness to continue in office should a resolution concerning their reappointment be agreed at the AGM.

The Directors' Report, including the financial statements, was approved by the Board on 18 September 2019 and signed on its behalf by:

C Farrington

Catherine Farrington

Company Secretary

12 Hanover Street, Liverpool, L1 4AA

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to Onward Group Limited

Opinion

We have audited the financial statements of Onward Group Limited (formerly Onward Homes Limited) ("the Association") for the year ended 31 March 2019 which comprise the Group and Association Statement of Comprehensive Income, the Group Statement of Changes in Equity, the Statement of Financial Position, the Group Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the group and association as at 31 March 2019 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the group and the association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as the recoverability of debtors, valuation of pension assets and liabilities, the recoverability of capitalised development expenditure, the assessment of asset impairment and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group and the association's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group and the association's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Going concern

The Association's Board has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Association or to cease their operations, and as they have concluded that the Group and the Association's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Board's conclusions, we considered the inherent risks to the Group and Association's business model, including the impact of Brexit, and analysed how those risks might affect the Group and Association's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group or the Association will continue in operation.

Other information

The Association's Board is responsible for the other information, which comprises the Forward by the Group Chairman, the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Matters on which we are required to report by exception

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

Board's responsibilities

As more fully explained in their statement set out on page 18, the Association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and 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 it either intends to liquidate the Group or the Association or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Association those matters we are required to state to it 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 as a body, for our audit work, for this report, or for the opinions we have formed.

Amanda Latham

Amanda Latham

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants 1 St Peter's Square, Manchester, M2 3AE

26th September 2019

FINANCIAL STATEMENTS

Statement of Comprehensive Income
for the year ended 31 March 2019

	Notes	Group 2019 £'000	Group 2018 * Restated £'000	Association 2019 £'000	Association 2018 £'000
Turnover	3	**146,811**	168,881	**42,832**	29,096
Cost of sales	3	**(1,097)**	(1,756)	**-**	-
Operating costs	3	**(111,041)**	(120,310)	**(41,605)**	(29,160)
Gain/(loss) on disposal of housing properties	3 and 6	**2,823**	1,550	**-**	-
Operating surplus	7	**37,496**	48,365	**1,227**	(64)
(Loss)/gain on disposal of other tangible fixed assets	10	**(964)**	(843)	**-**	(11)
Interest receivable and similar income	11	**2,962**	541	**453**	33
Interest payable and similar charges	12	**(24,274)**	(15,561)	**(577)**	(123)
Surplus on ordinary activities before taxation		**15,220**	32,502	**1,103**	(165)
Taxation on surplus on ordinary activities	13	**70**	(45)	**-**	(1)
Surplus for the year after taxation		**15,290**	32,457	**1,103**	(166)
Other comprehensive income					
Initial recognition of multi-employer defined benefit pension scheme	39	**(11,331)**	-	**(4,121)**	-
Actuarial gain/(loss) in respect of pension schemes	39	**(7,881)**	1,676	**291**	87
Other comprehensive income for the year		**(19,212)**	1,676	**(3,830)**	87
Total comprehensive income for the year		**(3,922)**	34,133	**(2,727)**	(79)

* See note 42 for details of the prior period adjustment.

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits are the same as those shown in the statement of comprehensive income.

The financial statements were approved by the Board on 18 September 2019 and signed on its behalf by:

Dr Neil Goodwin CBE
Chairman

Bronwen Rapley
Chief Executive

Catherine Farrington
Company Secretary

Group Statement of Changes in Equity

	Notes	Non-equity share capital £'000	Revenue reserves £'000	Total reserves £'000
Balance at 31 March 2018 as previously reported		-	366,308	**366,308**
Prior year adjustment		-	(9,608)	**(9,608)**
Balance at 31 March 2018 as restated		-	356,700	**356,700**
Total comprehensive income for the period				
Surplus / (deficit) for the year		-	15,290	**15,290**
Other comprehensive income		-	(19,212)	**(19,212)**
Balance at 31 March 2019	**33**	-	352,778	**352,778**

The accompanying notes form part of these financial statements.

Statement of Financial Position

as at 31 March 2019

	Notes	Group 2019 £'000	Group 2018* Restated £'000	Association 2019 £'000	Association 2018 £'000
Intangible assets and goodwill	14	**79**	116	**-**	-
Tangible fixed assets					
Housing properties	15	**1,059,946**	1,054,245	**-**	-
Investments including properties	16	**16,219**	15,332	**-**	50
Other tangible fixed assets	17	**17,546**	19,986	**851**	881
		1,093,790	1,089,679	**851**	931
Debtors due after one year	18	**3,309**	2,803	**-**	5,396
		1,097,099	1,092,482	**851**	6,327
Current assets					
Properties for sale and work in progress	19	**7,180**	1,705	**-**	-
Debtors due within one year	20	**11,700**	14,316	**13,002**	10,578
Investments	21	**1,523**	85,287	**-**	-
Cash and cash equivalents		**46,892**	47,634	**4,372**	382
		67,295	148,942	**17,374**	10,960
Creditors: amounts falling due within one year	22	**(39,954)**	(48,800)	**(19,247)**	(10,445)
Net current assets		**27,341**	100,142	**(1,873)**	515
Total assets less current liabilities		**1,124,440**	1,192,624	**(1,022)**	6,842
Creditors: amounts falling due after one year	23	**(735,161)**	(833,788)	**(860)**	(6,264)
Provisions for liabilities and charges	30	**(1,367)**	(1,276)	**(267)**	-
Pension liabilities	31	**(35,134)**	(860)	**-**	-
		(771,662)	(835,924)	**(1,127)**	(6,264)
Total net assets		**352,778**	356,700	**(2,149)**	578
Capital and reserves					
Non-equity share capital	32	**-**	-	**-**	-
Revenue reserves	33	**352,778**	356,700	**(2,149)**	578
Total capital and reserves		**352,778**	356,700	**(2,149)**	578

* See note 42 for details of the prior period adjustment.

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 18 September 2019 and signed on its behalf by:

Dr Neil Goodwin CBE
Chairman

Bronwen Rapley
Chief Executive

Catherine Farrington
Company Secretary

Group Statement of Cash Flows

for the year ended 31 March 2019

	Notes	2019 £'000	2018 Combined £'000
Net cash generated from operating activities	37	**46,694**	53,135
Cash flow from investing activities			
Purchase and construction of tangible fixed assets		**(30,087)**	(26,986)
Additions to investment properties		**(794)**	(479)
Purchase of intangible assets		**-**	(11)
Purchase of other tangible fixed assets		**(1,948)**	(1,120)
Proceeds from sale of tangible fixed assets		**10,541**	4,664
Grants received		**8,583**	2,426
Loan to Joint Venture Activity		**(506)**	-
Interest received		**467**	510
Net cash from investing activities		**(13,744)**	(20,996)
Cash flow from financing activities			
Interest paid		**(21,296)**	(13,736)
New loans		**-**	2,000
Repayment of existing borrowing		**(96,160)**	(17,063)
Movement in cash deposits and investments		**83,764**	10,666
Net cash from financing activities		**(33,692)**	(18,133)
Net change in cash and cash equivalents		**(742)**	14,006
Cash and cash equivalents at start of year		**47,634**	53,139
Removal of cash and cash equivalents relating to Cobalt Housing on exit		**-**	(19,511)
Cash and cash equivalents at end of year		**46,892**	47,634

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Onward Group Limited (the "Association") is registered under the Housing Act 1996 with the Regulator of Social Housing in England, as a Registered Provider of social housing with registration number of L4649. The registered office is 12 Hanover Street, Liverpool, L1 4AA.

The Association is a non-charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority, registration number of 31216R. The Association is a public benefit entity.

Onward (the "Group") comprises the following entities. Onward Group Limited is the ultimate parent undertaking of the Group.

Organisation	Status	Principal Activity
Onward Group Limited	Registered Society	HARP*
Atrium City Living Limited	Private Limited Company (by shares)	Commercial property services
Contour Homes Limited	Registered Society	HARP*
Contour Property Services Limited	Registered Society	Management Services
Hyndburn Homes Repairs Limited	Private Company Limited by Guarantee	Direct Labour Organisation
Onward Build Limited (Dormant)	Private Limited Company (by shares)	Development company
Onward Homes Limited	Registered Society	HARP*

* HARP – Housing Association Registered Provider

2. Accounting policies

a) Basis of accounting

The financial statements of the group are prepared in accordance with Financial Reporting Standard 102 – the applicable financial reporting standard in the UK and Republic of Ireland (FRS 102) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

b) Measurement convention

The financial statements are prepared on the historical cost basis except where fair value accounting is required for investment properties.

c) Going concern

The Group has sufficient financial resources based on forecasts and current expectations of future sector conditions. As a consequence, the Board believes that the Group is well placed to manage its business risks successfully. The Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Board therefore continues to adopt the going concern basis in preparing these financial statements.

Onward Group Limited is the holding company and ultimate parent undertaking of the Group. It incurs costs and makes recharges to other Group companies. Whilst the parent company may on occasions have net liabilities the Board recognises that the Group as a whole has sufficient financial strength to support the going concern basis of preparation of the financial statements.

d) Judgement and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements, estimates and assumptions have had the most significant effect in amounts recognised in the financial statements.

Business Combination (Group reconstruction)

In order to improve governance, financial sustainability and efficiency, a process of simplification of the legal structure of the Group was embarked upon during the year. This involved a combination of four registered providers of social housing in the Group: Liverpool Housing Trust Limited, Hyndburn Homes Limited, Peak Valley Housing Association and Ribble Valley Homes Limited on 1st October 2018.

This transaction has been accounted for under the principles of merger accounting. The combined entity, which has been renamed Onward Homes Limited, has been accounted for as if the business combination took place on 1 April 2017.

The comparative for the period ended 31 March 2018 has been restated in the financial statements for Onward Homes Limited to show the combined comprehensive income for the period and financial position of the four entities at 31 March 2018. As all the entities were subsidiaries of Onward Group Limited before the combination, there was no need to make any adjustments as a result of aligning accounting policies. The combining entities shared common accounting policies prior to the transfers of engagement.

The financial impact of the business combination is fully explained in the notes forming the statements of Onward Homes Limited. There is no impact arising from the business combination on the consolidated financial statements of the Group.

Tangible fixed assets – housing properties

In determining the intended use, the Group has considered if assets are held for social benefit or to earn commercial rentals. The Group has determined that market rented properties are investment properties.

The useful depreciable lives of each component of our social benefit housing properties, the majority of our housing assets, are reviewed at each reporting date and compared to actual performance to ensure the assumed lives remain appropriate. A review each year seeks to ensure that the useful economic lives, remaining term and component splits are applied consistently.

As part of the 2018/19 review, three key areas were identified which required further examination:

- Historical allocation of housing asset cost and accumulated depreciation to components had not been consistently applied across the Group when component accounting was first introduced in our heritage entities.
- Historical additions and disposals had not always correctly reset the new useful economic lives, and occasionally component disposals had been treated incorrectly.
- A number of properties were classed as having useful economic lives of 50 years, rather than 100.

To address these issues, updated asset data was used to re-allocate historic cost to the appropriate component, and to correctly age components where additions or enhancements had occurred. The impact of these changes has been applied retrospectively and has resulted in amendments to the prior period accounts. See note 42 for further details of the impact.

Other tangible fixed assets

Other than investment properties, tangible assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed in paragraphs k) and t) below. They are estimated on sector averages and the opinion of experienced asset practitioners. A review this year has ensured that the useful economic lives and remaining terms are applied consistently.

Similarly to housing assets, the impact of correct ages and previously aligned useful economic lives on accumulated depreciation has been fully reviewed against an estimated annual depreciation calculation. Following that sense check we have separated office improvements from office structure and re-capitalised other fixed assets previously written off where the value of the asset exceeded £10,000.

The impact of these amendments is also detailed in the Prior Year Adjustment Note 42.

Investment properties

The valuation of investment properties, including properties at market rent, is considered at each reporting date based on either third party valuation reports or an update to those reports based on market conditions. The valuation is most sensitive to assumptions on rental growth and the discount rate applied to those cash flows. Onward relies on the assumptions and estimates applied by the valuer in accordance to the RICS red book valuation standards in determining the market valuation.

The change in value is referred to in Operating Surplus Note 7.

Impairment

Reviews for impairment of housing properties are carried out when an indication of impairment exists. Indications for a review of impairment are examples of the following:

- changes in the market, economic or legal, including regulatory, environment in which the Group operates for example the 2015 rent policy which resulted in a material impact on the net income collected in the future for housing properties,
- changes in the rate of return from housing properties (demand and asset management reviews (including the tower blocks and additional fire safety investment expenditure following the Grenfell Disaster)) or a material reduction in market values.

Any impairment review is conducted at the scheme level i.e. the cash generating unit.

Our judgement this year is that there have been no triggers to impairment. This judgement is based on a re-let repairs contract at lower cost, improved procurement leading to lower component replacement costs, improved rental income outlook based on recent government statements, and no deterioration in underlying void and arrears performance. Ongoing costs of works to high rise homes, post Grenfell, were fully assessed in last year's impairment review. Brexit risks are not expected to have a long term effect on carrying values.

Basic financial instruments

The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Such instruments have been reviewed in detail and have been assessed as basic because key clauses indicate that funders will not suffer a loss on breakage. In addition such instruments are only entered into by the Group in order to give budgetary and cash flow certainty; they are not entered into for trading purposes.

As part of the re-organisation of the Group various lending arrangements have been changed, including the creation of a new revolving credit facility. Our judgement on our assessment of those loans and interest rate fixes as basic financial instruments is unchanged.

Pension and other post-employment benefits

A significant accounting change this year sees the net liability for the Social Housing Pension Scheme (SHPS) brought on to the Statement of Financial Position for the first time. The past service pension liability creditor of £16.9m has been released through Other Comprehensive Income, and the same method used to bring the £34m deficit on. Any recharge of past deficits to subsidiaries has also been unwound.

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long term nature of these plans, such estimates are subject to considerable uncertainty and the Group relies on the expert input of actuaries and accepts the estimations they use are reasonable.

The key assumptions are as follows:

Assumptions	SHPS	LGPS
Inflation	2.3%	2.2%
Rate of discount on scheme	2.3%	2.4%
Rate of salary increase	3.3%	2.5%
Rate of increase of pensions		
Life expectancy male non-pensioner	23.2	23.7
Life expectancy female non-pensioner	24.7	26.2
Life expectancy male pensioner	21.6	21.5
Life expectancy female pensioner	23.5	24.1

Full details are disclosed in the Pensions Costs Note 39.

e) Basic financial instruments

Tenant arrears, trade and other debtors

Tenant arrears, trade and other debtors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Trade and other creditors

Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

f) Turnover

Group turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership and from properties developed for open market sales, and amortisation of Social Housing Grant (SHG) under the accrual model. Rental income is recognised on the execution of tenancy agreements. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided. Rental income is taken up to 31 March.

Association turnover represents income received for services provided to Group companies and income generated by the May Logan Centre. Turnover is recognised as receivable on the delivery of Group services provided.

g) Expenses

Cost of sales

Cost of sales represents the costs including capitalised interest and direct overheads incurred in the development of the properties, and marketing, and other incidental costs incurred in the sale of the properties.

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred.

h) Interest

Interest payable and similar charges include interest payable and finance charges on liabilities recognised in the statement of comprehensive income using the effective interest method and unwinding of the discount on provisions. Borrowing costs that are directly attributable to the acquisition, construction or production of housing properties that take a substantial time to be prepared for use are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested.

i) Taxation

Tax on the surplus or deficit for the year comprises current tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in other comprehensive income, in which case it is recognised directly in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or deficit for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

j) Value added tax

The Group is VAT registered but a large proportion of its income, rent, is exempt from VAT giving rise to a partial exemption calculation. Expenditure is therefore shown inclusive of VAT and the input tax recoverable is shown in the statement of comprehensive income.

k) Tangible fixed assets - housing properties

Tangible fixed assets – housing properties are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the cost of acquiring land and buildings, directly attributable development costs, interest at the average cost of borrowing for the development period, and expenditure incurred in respect of improvements which comprise the modernisation and extension of existing properties.

Shared ownership properties are included in housing properties at cost related to the percentage of equity retained, less any provisions needed for impairment or depreciation. For shared ownership properties under construction, the forecast first tranche sale percentage of costs incurred to date are shown in work in progress.

Properties acquired from Rodney Housing Association Limited were stated at Existing Use Value – Social Housing (EUVSH) when transferred in 2007.

Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each component part of housing properties. Freehold land is not depreciated. The estimated useful lives of assets which are separately identified are as follows:

Housing structure	100 years
Boundary walls and car hard-standings	50 years
Roofs	50 years
Windows	30 years
Electrical installation	30 years
Bathrooms	30 years
Fascia	40 years
External doors	30 years
Boilers and heating systems	30 years
Kitchens	20 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Group expects to consume an asset’s future economic benefits.

Non-component works to existing properties

The amount of expenditure incurred which relates to an improvement, which is defined as an increase in the net rental stream or the life of a property, has been capitalised. Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the statement of comprehensive income in the period in which it is incurred.

Interest capitalised

Interest on borrowings is capitalised to housing properties during the course of construction up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically taken to finance a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised. Interest has been capitalised at an average rate that reflects the weighted average effective interest rate on the group's borrowings required to finance housing property developments.

l) Social Housing Grant

Social Housing Grant (SHG) is initially recognised at fair value as a long term liability, specifically as deferred grant income and released through the statement of comprehensive income as turnover income over the life of the structure of housing properties in accordance with the accrual method applicable to social landlords accounting for housing properties at cost.

On disposal of properties, all associated SHG is transferred to either the Recycled Capital Grant Fund (RCGF) or the Disposal Proceeds Fund (DPF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

m) Other grants

These include grants from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the statement of comprehensive income in the same period as the expenditure to which they relate. Other grants which are received in advance of expenditure are included as a liability. Grants received from other organisations are accounted for in accordance with the performance method.

n) Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost. Investment properties whose fair value can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of comprehensive income in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model. This treatment, as regards the group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Board consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Rental income from investment property is accounted for as described in the turnover accounting policy.

o) Investments

Investments in shared equity arrangements are stated at cost as concessionary loans. They are subsequently updated to reflect any impairment loss which would be recognised in the statement of comprehensive income and any accrued interest payable or receivable. At the present time there is no interest charge and the loans are repayable at the time the property is disposed of by the owner. Security is in the form of a second legal charge over the property.

p) Properties held for sale and work in progress

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

q) Impairment

A financial asset not carried at fair value through the statement of comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the group would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in the statement of comprehensive income. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of comprehensive income.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

r) Housing property sales

Completed properties and properties under construction for open market sales are recognised at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Interest incurred is also capitalised during the course of obtaining planning and throughout the work in progress up to the point of practical completion of the development scheme. Assessing net realisable value requires use of estimation techniques. In making this assessment, management considers publicly available information and internal forecasts on future sales activity. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal. Properties sold through customers exercising their preserved right to buy or right to acquire, proceeds from the first tranche sales of shared ownership properties, subsequent tranche sales and properties sold that were developed or acquired for outright sale are included within turnover as part of normal operating activities.

Non-housing asset sales are included within gain / (loss) on disposal of fixed assets.

s) Intangible assets

Amortisation is provided on a straight line basis on the cost of intangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rate used for other assets is as follows.

Computer software	3 years

t) Other tangible fixed assets

Other tangible fixed assets include those assets with an individual value in excess of £10,000.

Depreciation is provided on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are as follows.

Office premises	50 years
Office improvements	10 years
Furniture, fixtures and fittings	5 years
Motor vehicles	4 years
Computers and office equipment	3 years
Scheme equipment	Over expected life of component

u) Bad debt provisions

A bad debt provision is held against the risk of failure to recover current and former tenant rent and service charge arrears. The provision is calculated as at 31 March and any adjustment required is written off or back through the statement of comprehensive income. The provision is calculated in line with the following aged debt:

Current arrears aged 1-8 weeks	10%
Current arrears aged 9-16 weeks	50%
Current arrears aged 17-32 weeks	75%
Current arrears aged 33+ weeks	90%
Former arrears	100%
Other debts (accounts receivable)	Case by case basis

v) Property managed by agents

Where the Group carries the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the statement of comprehensive income.

Where the agency carries the financial risk, the statement of comprehensive income includes only that income and expenditure which relates solely to the Group.

w) Provisions

A provision is recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

x) Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the group pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income in the periods during which services are rendered by employees.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group's net obligation in respect of defined benefit plans and other long term employee benefits is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate as determined at the beginning of the annual period to the net defined benefit liability (asset) taking account of changes arising as a result of contributions and benefit payments.

The discount rate is the yield at the statement of financial position date on AA credit rated bonds denominated in the currency of, and having maturity dates approximating to the terms of the group's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The group recognises net defined benefit plan assets to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan.

Changes in the net defined benefit liability arising from employee service rendered during the period, net interest on net defined benefit liability, and the cost of plan introductions, benefit changes, curtailments and settlements during the period are recognised in the statement of comprehensive income.

Re-measurement of the net defined benefit liability/asset is also recognised in the statement of comprehensive income.

The Group participates in three defined benefit plans as set out below:

- LGPS schemes – Merseyside Pension Fund and Greater Manchester Pension Fund
- Social Housing Pension Scheme – Onward Homes Ltd and Hyndburn Homes Repairs Limited

During the year the Association ended its participation in the Social Housing Pension Scheme and its liabilities were transferred to Onward Homes Limited.

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Group. For financial years ending on or after 31 March 2019, it is now possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The September valuation was done this year because this was the date of the amalgamation and pension schemes transferred between Group companies. The liability figures from each valuation are rolled forward to the next relevant accounting date, being 31 March 2019, and are used in conjunction with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus at the accounting period start and end dates.

Termination benefits

Termination benefits are recognised as an expense when the group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the group has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

3. Turnover, cost of sales, operating costs and operating surplus

	Group							
	2019				2018 Restated			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings								
General needs accommodation	**102,131**	**-**	**(77,462)**	**24,669**	118,808	-	(84,250)	34,558
Older persons housing	**20,026**	**-**	**(15,355)**	**4,671**	17,031	-	(15,491)	1,540
Supported housing	**14,097**	**-**	**(10,457)**	**3,640**	14,421	-	(9,416)	5,005
Low cost home ownership	**3,330**	**-**	**(2,812)**	**518**	3,201	-	(2,712)	489
Total	**139,584**	**-**	**(106,086)**	**33,498**	153,461	-	(111,869)	41,592
Other social housing activities								
Regeneration and development	**15**	**-**	**(1,357)**	**(1,342)**	11	-	(1,103)	(1,092)
Management services	**1,216**	**-**	**(18)**	**1,198**	480	-	(157)	323
Estate services	**-**	**-**	**(844)**	**(844)**	-	-	(2,208)	(2,208)
Shared Ownership first tranche sales	**1,691**	**(1,097)**	**-**	**594**	1,203	(1,108)	-	95
Other	**248**	**-**	**(108)**	**140**	385	-	(106)	279
Total	**3,170**	**(1,097)**	**(2,327)**	**(254)**	2,079	(1,108)	(3,574)	(2,603)
Total social housing activities	**142,754**	**(1,097)**	**(108,413)**	**33,244**	155,540	(1,108)	(115,443)	38,989
Non-social housing activities								
Market rents	**497**	**-**	**(134)**	**363**	1,037	-	(373)	664
Revaluation of investment properties	**114**	**-**	**(21)**	**93**	622	-	-	622
Commercial	**693**	**-**	**(1,065)**	**(372)**	1,566	-	(744)	822
Management services	**957**	**-**	**(1,015)**	**(58)**	2,373	(7)	(1,609)	757
Leaseholders	**191**	**-**	**(88)**	**103**	197	-	(194)	3
Properties developed for outright sale	**-**	**-**	**-**	**-**	775	(641)	-	134
LGPS pension settlement and curtailment	**-**	**-**	**-**	**-**	5,455	-	(1,303)	4,152
Other	**1,605**	**-**	**(305)**	**1,300**	1,316	-	(644)	672
Total non-social housing activities	**4,057**	**-**	**(2,628)**	**1,429**	13,341	(648)	(4,867)	7,826
Total	**146,811**	**(1,097)**	**(111,041)**	**34,673**	168,881	(1,756)	(120,310)	46,815
Surplus on disposal of housing properties				**2,823**				1,550

3. Turnover, cost of sales, operating costs and operating surplus

	Association							
	2019				2018 Restated			
	Turnover £'000	Cost of sales £'000	Operating costs £'000	Operating surplus £'000	Turnover £'000	Cost of sales £'000	Operating Costs £'000	Operating surplus £'000
Social housing lettings								
Total	-	-	-	-	-	-	-	-
Other social housing activities								
Total	-	-	-	-	-	-	-	-
Gain/(loss) on disposal of housing properties				-				-
Total social housing activities	-	-	-	-	-	-	-	-
Non-social housing activities								
Management services	33,194	-	(41,605)	(8,411)	28,991	-	(29,068)	(77)
SHPS pension on business combination	9,638	-	-	9,638	-	-	-	-
LGPS pension settlement and curtailment	-	-	-	-	105	-	(92)	13
Total non-social housing activities	**42,832**	**-**	**(41,605)**	**1,227**	29,096	-	(29,160)	(64)
Total	**42,832**	**-**	**(41,605)**	**1,227**	29,096	-	(29,160)	(64)

4. Income and expenditure from social housing lettings

	General needs accommodation £'000	Older persons housing £'000	Group Supported housing £'000	Low cost home ownership £'000	Total 2019 £'000	Total Restated 2018 £'000
Income						
Rents receivable net of voids	94,173	14,755	9,170	2,410	**120,508**	134,596
Service charge income	3,638	4,615	4,104	651	**13,008**	13,233
Amortised government grants	4,063	467	527	266	**5,323**	4,688
Supporting people grants	50	188	290	3	**531**	514
Revenue grants	87	-	-	-	**87**	277
Other income from social housing	120	1	6	-	**127**	153
Turnover from social housing lettings	**102,131**	**20,026**	**14,097**	**3,330**	**139,584**	153,461
Expenditure						
Management	15,658	3,032	2,715	1,666	**23,071**	31,691
Service charge costs	6,202	4,764	3,045	244	**14,255**	12,686
Routine maintenance	22,533	3,877	1,966	95	**28,471**	24,228
Planned maintenance	15,350	1,606	894	82	**17,932**	18,895
Major repairs expenditure	66	3	7	66	**142**	1,316
Rent losses from bad debts	1,063	75	221	70	**1,429**	1,244
Depreciation of housing properties	15,768	1,958	1,554	464	**19,744**	19,818
Other costs	822	40	55	125	**1,042**	1,991
Total expenditure on lettings	77,462	15,355	10,457	2,812	106,086	111,869
Operating surplus on letting activities	24,669	4,671	3,640	518	33,498	41,592
Void losses	(892)	(209)	(1,099)	(45)	(2,245)	(2,309)

5. Accommodation owned, managed and under development

	Group	
	2019 Number	2018 Number
The number of properties in ownership at the year-end were:		
General needs accommodation (social rent)	**20,566**	20,581
General needs accommodation (affordable rent)	**1,746**	1,480
Older persons housing	**3,808**	3,677
Supported housing	**1,939**	1,949
Low-cost home ownership	**920**	1,035
Total homes owned	**28,979**	28,722
Accommodation managed by other bodies	**(221)**	(285)
Accommodation managed for other bodies / owner occupiers	**772**	906
Leasehold	**5,100**	4,397
Total homes managed	**34,630**	33,740
Non-social housing in ownership and management at the year-end:		
Market rents	**156**	143
	156	143
The number of properties under development at the year-end were:		
General needs accommodation	**128**	133
Supported housing	**48**	-
Low-cost home ownership	**149**	69
	325	202
The following agencies managed properties on behalf of the group		
Alternative Futures	**-**	189
Bridgfords	**64**	64
Community Integrated Care	**6**	54
Brothers of Charity	**3**	35
Forum	**40**	40
Imagine	**-**	44
Creative Support	**33**	80
Mencap Homes Foundation	**-**	43
Joseph Cox Trust	**39**	41
Others (individually less than 30)	**100**	445
	285	1,035

6. Disposal of housing properties

	Group 2019 £'000	Group 2018 Restated £'000
Disposal proceeds from property sales	**5,573**	4,660
Carrying value of fixed assets from property sales	**(2,528)**	(2,859)
Costs on disposal	**(222)**	(251)
Gain on disposal of housing properties	**2,823**	1,550

	2019	2018
Analysis of housing property sales		
Preserved Right to Buy sales	**35**	52
Right to Acquire sales	**18**	16
Shared ownership staircasing	**29**	21
Other sales	**10**	11
	92	100

7. Operating surplus

Operating surplus is stated after charging:	Group 2019 £'000	Group 2018 Restated £'000	Association 2019 £'000	Association 2018 £'000
Depreciation of housing properties	**19,744**	19,989	**-**	-
Depreciation of other fixed assets	**740**	1,327	**30**	36
Amortisation of intangible assets	**37**	258	**-**	-
(Surplus) on disposal of housing properties	**(2,823)**	(1,550)	**-**	-
Deficit/(surplus) on disposal of other tangible fixed assets	**964**	843	**-**	-
Amortisation of government grant	**(6,280)**	(5,690)	**(18)**	(30)
Revaluation of investment properties	**(93)**	(622)	**-**	-
Pension adjustments	**(2,551)**	(581)	**(643)**	(39)
Auditor's remuneration (excluding VAT):				
In their capacity as auditor	**125**	120	**125**	120
In their capacity as auditor from prior year	**36**	11	**36**	11
In respect of other services	**261**	372	**261**	372
Operating lease receipts	**(472)**	(531)	**-**	-
Operating lease payments	**232**	400	**-**	-

Audit fees and fees to the auditors for other services were paid by Onward Group Limited in the year on behalf of all Group companies.

8. Board members and executive directors

The directors including executive directors are as listed on page 2.	Group 2019 £'000	Group 2018 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	**129**	136
The aggregate emoluments paid to or receivable by executive directors and former executive directors (including pension contributions and benefits in kind)	**769**	678
The aggregate amount of pension contributions in respect of services as directors	**50**	48
The aggregate compensation paid to or receivable by executive directors or past directors in respect of loss of office (whether by retirement or otherwise)	**123**	20
The emoluments paid to the highest paid director (excluding pension contributions but including benefits in kind)	**297**	189
Pension contributions for the highest paid director	**14**	16

In the current year the highest paid director was not the Chief Executive due to payments in lieu of notice on termination of employment of another director.

The Chief Executive is an ordinary member of the defined contribution Social Housing Pension Scheme (SHPS). No enhanced or special terms apply to her membership and she has no other pension arrangement to which the group contributes.

The emoluments (including pension contributions and benefits in kind) or fees paid to non-executive directors on the Board were as follows:

	Group 2019 £'000	Group 2018 £'000
R Barber	**7**	-
W Dignan	**16**	16
B Dutton	**9**	16
N Goodwin	**33**	33
W Hewish	**7**	-
P High	**16**	16
B Roebuck	**19**	19
M Verrier	**19**	19
C Wallace	**4**	16

9. Employee information

	Group		Association	
	2019 Number	2018 Number	**2019 Number**	2018 Number
Average number of employees (including executive directors) expressed as full time equivalents (based on an average of 35 hours per week)	**771**	869	**405**	387

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Staff costs (for the above persons)				
Wages and salaries	**23,457**	26,791	**13,458**	13,967
Social security costs	**2,256**	2,451	**1,355**	1,327
Other pension costs	**1,127**	2,305	**648**	1,542
Defined benefit scheme pension adjustments	**2,685**	(581)	**8,923**	(39)
Severance payments	**2,239**	4,475	**1,264**	4,418
	31,764	35,441	**25,648**	21,215

A number of the staff detailed above are employed on joint contracts to provide services for member organisations. Salary costs in respect of these services are included in administration recharges to member organisations.

The aggregate number of full time equivalent staff (based on an average of 35 hours) whose remuneration (including salaries, benefits in kind, pension contributions paid by the employer and any termination payments) exceeded £60,000 were as follows:

	Group	
Remuneration between	**2019 £'000**	2018 £'000
£60,000 and £69,999	**10**	29
£70,000 and £79,999	**10**	17
£80,000 and £89,999	**3**	16
£90,000 and £99,999	**5**	10
£100,000 and £109,999	**5**	9
£110,000 and £119,999	**1**	-
£120,000 and £129,999	**1**	1
£130,000 and £139,999	**1**	-
£140,000 and £149,999	**1**	1
£170,000 and £179,999	**2**	1
£180,000 and £189,999	**-**	1
£220,000 and £229,999	**1**	-
£310,000 and £319,999	**1**	-

10. Disposal of other tangible fixed assets

	Group		Association	
	2019 £'000	2018 Restated £'000	**2019 £'000**	2018 £'000
Disposal proceeds from other fixed assets	**-**	4	**-**	-
Carrying value of other fixed assets	**(964)**	(847)	**-**	-
(Loss)/gain on disposal of other fixed assets	**(964)**	(843)	**-**	-

11. Interest receivable and similar income

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Bank and building society interest	**467**	540	**5**	1
Interest income on net defined benefit plan assets	**2,495**	-	**448**	-
Other interest and dividends	**-**	1	**-**	32
	2,962	541	**453**	33

12. Interest payable and similar charges

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Interest payable on bank and building society loans	**10,192**	11,606	**-**	-
Interest payable on other loans	**2,551**	3,357	**-**	-
Mark to market interest payments	**6,536**	-	**-**	-
Amortised loan arrangement fees	**1,362**	-	**-**	-
Loan administration fees	**264**	97	**-**	-
Loan security costs	**231**	27	**-**	-
Non utilisation fees	**158**	224	**-**	-
Interest expense on net defined benefit liabilities	**3,214**	142	**577**	33
Unwinding of the discount factor on pension past service deficit	**-**	239	**-**	90
Interest on Recycled Capital Grant Fund and Disposal Proceeds Fund	**2**	3	**-**	-
	24,510	15,695	**577**	123
Capitalised interest	**(236)**	(134)	**-**	-
	24,274	15,561	**577**	123

Interest has been capitalised at 3.3% (2018: 3.0%) per annum, the average cost of borrowing, or is based on a specific loan facility used to fund the development.

13. Taxation

	Group	
	2019 £'000	2018 £'000
UK corporation tax		
Current tax charge for the year	**-**	48
Adjustment in respect of previous years	**(112)**	12
	(112)	60
Deferred tax		
Origination and reversal of timing differences	**42**	(21)
Adjustment in respect of previous years	**-**	6
Effect of tax change on opening balance	**-**	-
	42	(15)
Total tax charge on surplus on ordinary activities	**(70)**	45

All amounts of taxation are recognised in the statement of comprehensive income.

Factors affecting the tax charge for the period

The current rate of tax for the year is the same as the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

	Group	
	2019 £'000	2018 £'000
Surplus on ordinary activities before taxation	**15,220**	32,502
Current tax at standard corporation tax rate	**2,892**	6,175
Effects of tax free income due to charitable activities	**(2,838)**	(6,159)
Expenses not deductible for tax purposes	**(58)**	38
Group relief surrender / claim for no payment	**-**	-
Income not taxable for tax purposes	**-**	-
Adjustments in respect of prior periods	**(112)**	12
Loss carry back	**4**	(3)
Tax rate differences on deferred tax	**-**	-
Deferred tax not recognised	**42**	(18)
Total tax charge on surplus on ordinary activities	**(70)**	45

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. A further reduction to the corporation tax rate by 1% to 17% by 1 April 2020 was announced in the Chancellor's budget statement and was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax assets as at 31 March 2019 have been calculated based on the rate of 17% substantively enacted at this year-end date.

Deferred taxation

The movement in the year is as follows:

	Group	
	2019 £'000	2018 £'000
Net tax (asset)/liability at start of the year	**(57)**	(40)
Difference between accumulated depreciation and capital allowances	**(10)**	(5)
Unused tax losses	**(5)**	-
Other short-term timing differences	**57**	(12)
Net tax (asset)/liability at end of the year	**(15)**	(57)

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £ Nil (2018: £ Nil) in respect of losses carried forward, short term timing differences and accelerated capital allowances.

14. Intangible assets

	Group Software £'000	Total £'000
Cost		
At 1 April 2018	**943**	943
Reclassification	**-**	-
Additions	**-**	-
Disposals	**-**	-
At 31 March 2019	**943**	943
Amortisation and impairment		
At 1 April 2018	**(827)**	(827)
Reclassification	**-**	-
Amortisation for the year	**(37)**	(37)
Impairment charge	**-**	-
At 31 March 2019	**(864)**	(864)
Net book value		
At 1 April 2018	**116**	116
At 31 March 2019	**79**	79

15. Housing properties

	Group					
	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed low-cost home ownership properties £'000	Low-cost home ownership properties under construction £'000	Non-social housing properties held for letting £'000	Total £'000
Cost						
At 1 April 2018	1,237,489	8,437	42,353	1,516	1,049	1,290,844
Additions	8,877	20,695	311	5,157	-	35,040
Capitalised interest	-	147	-	89	-	236
Disposals	(8,700)	-	(557)	-	-	(9,257)
Transfer from/(to) stock	(926)	-	-	(4,093)	-	(5,019)
Transfer to abortive works	-	-	-	-	-	-
Transfer on completion	11,428	(11,428)	708	(708)	-	-
Reclassifications	(2,627)	2,627	(212)	212	-	-
At 31 March 2019	1,245,541	20,478	42,603	2,173	1,049	**1,311,844**
Depreciation						
At 1 April 2018 as previously reported	(248,080)	-	(6,379)	-	(214)	(254,673)
Prior year adjustment (note 42)	21,830	-	(1,887)	-	-	19,943
At 1 April 2018 as restated	(226,250)	-	(8,266)	-	(214)	(234,730)
Charge for the year	(19,309)	-	(435)	-	-	(19,744)
Disposals	4,172	-	53	-	-	4,225
Transfers from/(to) stock	220	-	-	-	-	220
Reclassifications	-	-	-	-	-	-
At 31 March 2019	(241,167)	-	(8,648)	-	(214)	**(250,029)**
Impairment						
At 1 April 2018	(1,869)	-	-	-	-	(1,869)
Charge for the year	-	-	-	-	-	-
At 31 March 2019	(1,869)	-	-	-	-	**(1,869)**
Net Book Value						
At 1 April 2018 restated	1,009,370	8,437	34,087	1,516	835	1,054,245
At 31 March 2019	**1,002,505**	**20,478**	**33,955**	**2,173**	**835**	**1,059,946**

	Group	
	2019 £'000	2018 £'000
Freehold	**984,751**	970,581
Long-leasehold	**75,195**	83,664
At 31 March 2019	**1,059,946**	1,054,245

Additions to housing properties in the year included improvement works to existing properties of £13,535,000 (2018: £14,719,000) and capitalised interest of £236,000 (2018: £134,000) at an average rate of 3.3% (2018: 3.0%). Expenditure on works to existing properties charged to the statement of comprehensive income totalled £51,160,000 (2018: £35,023,000).

The net book value of housing properties includes £ Nil (2018: £ Nil) in respect of assets held under finance leases.

16. Investments including properties

	Group				Association	
	Joint Venture Investment £'000	Investment properties £'000	Shared equity investments £'000	Total £'000	Shares in subsidiary undertaking £'000	Total £'000
At 1 April 2018	15	14,855	462	**15,332**	50	**50**
Additions	-	794	-	**794**	239	**239**
Revaluation	-	93	-	**93**	(239)	**(239)**
Disposals	-	-	-	**-**	(50)	**(50)**
At 31 March 2019	**15**	**15,742**	**462**	**16,219**	**-**	**-**

The investment properties are market rent schemes and developments originally developed for sale. Due to the downturn in the housing market, these are now being rented either at market rent, or on the rent to home-buy scheme with the intention of selling the properties in due course.

Full valuations of existing properties were carried out in March 2019 by an external valuer, Sutton Kersh, Chartered Surveyors in accordance with the RICS Appraisal and Valuation Manual. Their report indicated that the market value of investment property was £15.7million. If the investment properties were shown at historic cost less depreciation the carrying value would be as follows:

	Group	
	2019 £'000	2018 £'000
Historic costs	**12,772**	11,987
Accumulated depreciation	**(943)**	(765)
	11,829	11,222

The Group comprises the following entities, all registered in England:

Organisation	Status	Registration number	Principal activity	Share capital held £
Onward Group Limited	Registered Society	31216R	HARP	N/A
Atrium City Living Limited	Private Limited Company (by shares)	4710066	Commercial property services	50,000
Contour Homes Limited	Registered Society	23607R	HARP*	1
Contour Property Services Limited	Registered Society	23975R	Management services	1
Hyndburn Homes Repairs Limited	Private Company Limited by Guarantee	3538264	Direct Labour Organisation	1
Onward Build Limited (Dormant)	Private Limited Company (by shares)	10665852	Development company	100
Onward Homes Limited	Registered Society	17186R	HARP*	1

Onward Group Limited is the ultimate parent undertaking

* HARP – Housing Association Registered Provider

17. Other tangible fixed assets

	Group			
	Freehold land and buildings £'000	Scheme equipment £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2018 as previously reported	20,943	9,782	4,198	34,923
Prior year adjustment (note 42)	-	(5,124)	-	(5,124)
At 1 April 2018 as restated	20,943	4,658	4,198	29,799
Additions	1,429	519	-	1,948
Disposals	(2,540)	(505)	(2,574)	(5,619)
At 31 March 2019	19,832	4,672	1,624	26,128
Depreciation				
At 1 April 2018	(5,018)	(4,106)	(3,280)	(12,404)
Prior year adjustment (note 42)	(2)	2,593	-	2,591
At 1 April 2018 as restated	(5,020)	(1,513)	(3,280)	(9,813)
Charge for the year	(388)	(291)	(61)	(740)
Disposals	208	11	1,752	1,971
At 31 March 2019	(5,200)	(1,793)	(1,589)	(8,582)
Net book value				
At 1 April 2018 as restated	15,923	3,145	918	19,986
At 31 March 2019	14,632	2,879	35	17,546

	Association	
	Freehold land and buildings £'000	Total £'000
Cost		
At 1 April 2018	1,519	1,519
Disposals	-	-
At 31 March 2019	**1,519**	**1,519**
Depreciation		
At 1 April 2018	(636)	(636)
Prior year adjustment (note 42)	(2)	(2)
At 1 April 2018 as restated	(638)	(638)
Charge for the year	(30)	(30)
Disposals	-	-
At 31 March 2019	**(668)**	**(668)**
Net book value		
At 1 April 2018	881	881
At 31 March 2019	**851**	**851**

18. Debtors: amounts falling due after one year

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Improvement programmes (VAT Shelter)	**1,893**	1,893	**-**	-
Loan provided to joint venture	**1,416**	910	**-**	-
Amounts owed by related parties – pension past service	**-**	-	**-**	5,396
	3,309	2,803	**-**	5,396

19. Properties for sale and work in progress

	Group	
	2019 £'000	2018 £'000
Properties under construction – low-cost home ownership	**5,311**	640
Completed properties – outright sales	**608**	1,017
Completed properties – low-cost home ownership	**467**	32
Assets for disposal	**747**	-
Stock and components	**47**	16
	7,180	1,705

20. Debtors: amounts falling due within one year

	Group		Association	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Rent and service charge arrears	**9,432**	8,610	**-**	-
Bad debt provision	**(4,126)**	(3,978)	**-**	-
	5,306	4,632	**-**	-
Trade debtors	**1,351**	1,857	**366**	1,485
Social Housing Grant and other grant receivable	**567**	2,507	**-**	-
Amounts owed by related parties	**-**	-	**11,167**	7,710
Amounts owed by related parties – pension past service	**-**	-	**-**	910
Amounts owed by leaseholders	**2,001**	1,343	**-**	-
Prepayments and sundry debtors	**2,460**	3,717	**1,469**	473
Other taxation and social security	**-**	81	**-**	-
Improvement programmes (VAT Shelter)	**-**	122	**-**	-
Deferred tax	**15**	57	**-**	-
	11,700	14,316	**13,002**	10,578

For rent and service charge arrears, no adjustment is required for those debts on a repayment schedule.

21. Investments

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Bank and building society deposits	**1,473**	85,237	**-**	-
Investments in Credit Unions	**50**	50	**-**	-
	1,523	85,287	**-**	-

22. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 Restated £'000	Association 2019 £'000	Association 2018 £'000
Bank and building society loans (note 24)	**7,342**	11,660	**-**	-
Other loans (note 24)	**1,763**	5,384	**-**	-
Issue costs (note 24)	**(81)**	(108)	**-**	-
	9,024	16,936	**-**	-
Trade creditors	**2,272**	1,967	**2,272**	1,741
Capital creditors and retentions	**1,039**	1,400	**-**	-
Rent and service charges received in advance	**4,263**	3,265	**-**	-
Other taxation and social security	**975**	797	**975**	502
Disposal Proceeds Fund	**-**	448	**-**	-
Deferred Government Grant	**7,185**	6,937	**30**	30
Social housing grant received in advance	**1,074**	2,341	**-**	901
Pension past service deficit	**-**	2,447	**-**	911
Accruals and deferred income	**12,643**	11,547	**2,022**	2,735
Other creditors	**1,419**	525	**3**	1
Amounts owed to related parties	**-**	-	**13,945**	3,624
Amounts owed to related parties – pension past service	**-**	-	**-**	-
Amounts owed to leaseholders	**22**	20	**-**	-
Improvement programmes (VAT Shelter)	**38**	122	**-**	-
Corporation tax	**-**	48	**-**	-
	39,954	48,800	**19,247**	10,445

23. Creditors: amounts falling due after one year

	Group 2019 £'000	Group 2018 Restated £'000	Association 2019 £'000	Association 2018 £'000
Bank and building society loans (note 24)	**263,638**	358,695	**-**	-
Other loans (note 24)	**26,803**	21,080	**-**	-
Issue costs (note 24)	**(1,153)**	(2,239)	**-**	-
	289,288	377,536	**-**	-
Capital creditors and retentions	**744**	487	**-**	-
Amounts owed to leaseholders	**7,566**	6,709	**-**	-
Accruals and deferred income	**-**	-	**-**	-
Other creditors	**219**	300	**-**	-
Deferred Government Grant	**434,391**	431,426	**860**	853
Pension past service deficit	**-**	14,447	**-**	5,411
Recycled Capital Grant Fund	**1,060**	848	**-**	-
Disposal Proceeds Fund	**-**	142	**-**	-
Improvement programmes (VAT Shelter)	**1,893**	1,893	**-**	-
	735,161	833,788	**860**	6,264

24. Debt analysis

	Group 2019 £'000	Group 2018 £'000
Bank and Building Society loans	**270,980**	370,355
Other loans	**28,566**	26,464
Issue costs	**(1,234)**	(2,347)
	298,312	394,472

All bank, building society and other loans are secured by charges either on the group's housing properties or on the rental streams arising from properties. Loans are repayable in instalments with final dates up to 2048. As at 31 March 2019 interest rates chargeable varied from 1.1% to 11.7%.

Gross debt is repayable in instalments as follows:	Group 2019 £'000	Group 2018 £'000
Within one year	**9,105**	17,044
Between one and two years	**9,419**	13,427
Between two and five years	**48,627**	45,402
After five years	**232,395**	320,946
	299,546	396,819

	Group Properties under charge	Group Amount drawn £'000	Group Valuation of units £'000
Contour Homes Limited	4,394	**114,168**	173,411
Onward Homes Limited	10,242	**185,378**	323,728
	14,636	**299,546**	497,139

25. Deferred Capital Grant

The total accumulated government grant and financial assistance received or receivable at 31 March:	Group 2019 £'000	Group 2018 Restated £'000	Association 2019 £'000	Association 2018 £'000
Held as deferred capital grant at start of the year as previously stated	**438,363**	455,039	**883**	913
Prior year adjustment	**-**	27,017	**-**	-
Held as deferred capital grant at start of the year as restated	**438,363**	482,056	**883**	913
Grant received in the year	**9,343**	3,384	**-**	-
Reclassification of deferred capital grant	**150**	-	**25**	-
Recognised in the Statement of Comprehensive Income	**(6,280)**	(7,734)	**(18)**	(30)
Removal of balance relating to Cobalt on exit	**-**	(39,343)	**-**	-
At end of the year	**441,576**	438,363	**890**	883
Due within one year	**7,185**	6,937	**30**	30
Due after one year	**434,391**	431,426	**860**	853
	441,576	438,363	**890**	883

26. Recycled Capital Grant Fund

	Group 2019 £'000	Group 2018 £'000
At start of the year	**848**	1,713
Grants recycled	**751**	359
Interest accrued	**2**	3
Recycling to new build development	**(541)**	(1,183)
Removal of balance relating to Cobalt Housing on exit	**-**	(44)
At end of the year	**1,060**	848
Amount three years or older where repayment may be required	**-**	-

27. Disposal Proceeds Fund

	Group 2019 £'000	Group 2018 £'000
At start of the year	**590**	1,753
Grants recycled	**-**	109
Interest accrued	**-**	1
Recycling to new build development	**(590)**	(183)
Removal of balance relating to Cobalt Housing on exit	**-**	(1,090)
At end of the year	**-**	590
Amount three years or older where repayment may be required	**-**	-

28. Financial instruments

The carrying amounts of the financial assets and liabilities include:	Group 2019 £'000	Group 2018 £'000
Trade and other debtors measured at amortised cost	**15,254**	17,119
Trade and other creditors measured at amortised cost	**(35,469)**	(49,819)
Loan commitments measured at cost	**(298,312)**	(394,472)
	(318,527)	(427,172)

29. Operating leases

The Group leases out some of its land and buildings to other organisations. Receipts are accounted for in the month in which they are receivable. The future minimum lease receipts under non-cancellable operating leases are as follows.

	Group Land and buildings	
	2019 £'000	2018 £'000
Leases expiring:		
Within one year	**472**	**712**
In the second to fifth years	**1,878**	**2,763**
In more than five years	**3,868**	**7,979**
At end of the year	**6,218**	**11,454**

During the year £472,000 was recognised as income in the statement of comprehensive income in respect of operating leases receivable (2018: £712,000).

The Group holds some of its office equipment on operating leases and contract hires some of its motor vehicles. Payments are accounted for in the month in which they fall due. The future minimum lease payments under non-cancellable operating leases are as follows.

	Group			
	Land and buildings		Vehicles and equipment	
	2019 £'000	2018 £'000	**2019 £'000**	2018 £'000
Due:				
within one year	**64**	58	**164**	215
in the second to fifth years	**20**	3	**661**	20
in more than five years	**-**	-	**-**	-
At end of the year	**84**	61	**825**	235

During the year £232,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2017: £477,000).

30. Provisions for liabilities

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
Public liability insurance claims:				
At start of the year	**1,276**	747	**-**	-
Transfer into / (out of) provisions	**91**	603	**267**	-
Removal of provisions relating to Cobalt Housing on exit	**-**	(74)	**-**	-
At end of the year	**1,367**	1,276	**267**	-

31. Pension liabilities

	Group 2019 £'000	Group 2018 £'000	Association 2019 £'000	Association 2018 £'000
At start of the year	**860**	7,194	**-**	138
Initial recognition of multi-employer defined benefit	**28,225**		**10,443**	-
Net interest on pension liabilities	**719**	142	**129**	1
Transfers to reserves (actuarial gain in period)	**7,881**	(1,676)	**(291)**	(87)
Contributions in period	**(2,681)**	(1,272)	**(661)**	(68)
Administration expenses	**67**	9	**18**	-
Current service costs in the period	**63**	682	**-**	29
Curtailments on exit	**-**	1,303	**-**	92
Settlement on exit	**-**	(5,455)	**-**	(105)
SHPS pension on business combination	**-**	-	**(9,638)**	-
Removal of pension liability re Cobalt Housing on exit	**-**	(67)	**-**	-
At end of the year	**35,134**	860	**-**	-

The pension liabilities for the Association are included in the consolidated pension disclosures in note 39.

This note shows the summary position of the combined SHPS and LGPS schemes which the Group participates in.

32. Non-equity share capital

	Association 2019 £	Association 2018 £
Shares of £1 each fully paid and issued:		
At start of the year	**7**	7
Shares issued in the year	**2**	-
Cancelled during the year	**(2)**	-
At end of the year	**7**	7

The Association's shares are not transferable or redeemable. Payments of dividends or other benefits are forbidden by the Association's rules and by the Housing Association Acts.

33. Revenue reserves

	Group		Association	
	2019	2018 Restated	**2019**	2018
	£'000	£'000	**£'000**	£'000
At start of year as previously reported	**366,308**	442,438	**578**	659
Prior year adjustment (note 42)	**(9,608)**	(28,718)	**-**	(2)
At start of year as restated	**356,700**	413,720	**578**	657
Removal of reserves relating to Cobalt on exit	**-**	(91,153)		
Surplus/(deficit) for the year	**(3,922)**	34,133	**(2,727)**	(79)
At end of the year	**352,778**	356,700	**(2,149)**	578

34. Transactions with related parties

During the year the parent company, Onward Group Limited, transacted with its subsidiary undertakings as set out below. There are no guarantees given over and above the normal trading terms set out in the intra-group agreement. There are no provision required for uncollectible balances and no bad debt expense is required.

	Association	
	2019 £'000	2018 £'000
Recharge by subsidiary		
Atrium City Living Limited (non- regulated)	**-**	119
Cobalt Housing Trust Limited	**-**	2,500
Contour Homes Limited	**11,426**	13,213
Contour Property Services Limited (non- regulated)	**374**	918
Hyndburn Homes Repairs Limited (non-regulated)	**270**	25
Onward Homes Limited	**20,403**	11,767
	32,473	28,542

	Association	
	2019 £'000	2018 £'000
Recharge by service		
Management services	**32,473**	21,052
Pension past service deficit recharges	**-**	7,490
	32,473	28,542

	Association	
The association received charges from:	**2019 £'000**	2018 £'000
Recharge from subsidiary		
Atrium City Living Limited (non- regulated)	**9**	10
Cobalt Housing Trust Limited	**-**	19
Contour Homes Limited	**4,325**	208
Contour Property Services Limited (non-regulated)	**204**	-
Hyndburn Homes Repairs Limited (non-regulated)	**6**	-
Onward Homes Limited	**695**	1,455
	5,239	1,692

34. Transactions with related parties (cont'd)

Debtors falling due within one year	Association 2019 £'000	Association 2018 £'000
Atrium City Living Limited (non- regulated)	**-**	110
Contour Homes Limited	**358**	1,496
Contour Property Services Limited (non- regulated)	**2,068**	860
Hyndburn Home Repairs Limited (non-regulated)	**1,834**	1,429
Onward Homes Limited	**6,907**	4,725
	11,167	8,620

Debtors falling due after more than one year	Association 2019 £'000	Association 2018 £'000
Atrium City Living Limited (non- regulated)	**-**	8
Contour Homes Limited	**-**	3,642
Contour Property Services Limited (non- regulated)	**-**	176
Hyndburn Homes Limited	**-**	207
Liverpool Housing Trust	**-**	912
Peak Valley Limited	**-**	389
Ribble Valley Limited	**-**	62
	-	5,396

Creditors: amounts falling due within one year	Association 2019 £'000	Association 2018 £'000
Contour Property Services Limited (non- regulated)	**7**	-
Contour Homes Limited	**-**	3,576
Onward Homes Limited	**13,938**	48
	13,945	3,624

All transactions with related parties are provided and received at cost and are apportioned in accordance with an agreed group recharge methodology. The recharge methodology recharges costs mainly on the basis of time, headcount or service usage. Transactions with Atrium, Contour Property Services and Hyndburn Homes Repairs (non-regulated) are based on an agreed fee structure per unit for management and an agreed price structure for repairs work.

During the year there were no tenant board members in Onward Group Limited.

35. Capital commitments

	Group 2019 £'000	Group 2018 £'000
Capital expenditure contracted for but not provided for in the financial statements	**24,001**	16,186
Capital expenditure authorised by the Board of Management but not yet contracted for	**105,268**	8,727

Capital expenditure commitments are funded through grant funding (Homes England Affordable Homes Programme) and recycled grant, £7,673,000, and cash from approved loan agreements and retained surpluses, £121,596,000.

36. Impairment

Under FRS102 the Group is required to perform impairment tests on its housing stock so that properties are not shown at an amount exceeding their recoverable amount. At the year-end the impairment review was carried out and the Board has reviewed the results and where appropriate made adjustments. In total the Group approved impairment provisions of £ Nil (2017: £ Nil).

37. Cash flows generated from operating activities

	Group	
	2019	2018 Restated
	£'000	£'000
Surplus for the year	**15,290**	32,457
Adjustments for non-cash items:		
Depreciation of tangible fixed assets (Housing properties and Other)	**20,484**	21,753
Impairment of tangible fixed assets	**-**	-
Change in value of investment property	**(93)**	(622)
Amortisation of intangible assets	**37**	258
Decrease / (increase) in properties for sale and work in progress	**(5,475)**	2,087
(Increase) / decrease in trade and other debtors	**554**	885
Increase / (decrease) in trade and other creditors	**4,201**	(5,966)
(Decrease) / increase in provisions	**91**	603
Pension costs less contributions payable	**(2,551)**	(581)
Pension settlement and curtailment	**-**	(4,152)
Pension past service deficit movement	**-**	(2,811)
Carrying amount of tangible fixed asset disposals	**8,460**	4,661
Amortisation of deferred Government Grant	**(5,075)**	(5,793)
Adjustments for investing or financing activities		
Proceeds from disposal of tangible fixed assets	**(10,541)**	(4,664)
Interest receivable	**(2,962)**	(541)
Interest payable	**24,274**	15,561
Net cash generated from operating activities	**46,694**	53,135

38. Contingent liabilities

Onward Homes Limited has underwritten £533,000 of European Regional Development Fund (ERDF) funding in relation to Unity 4. The original ERDF funding was in respect of New Century Halls Limited who went into voluntary liquidation in February 2011 and the building reverted to Onward Homes Limited who are now leasing the building to Oakmere Community College for ten years with an option for them to purchase it. The liability has been novated from Liverpool Housing Trust Limited to Onward Homes Limited. Government Office North West was satisfied that Oakmere are operating the resource centre in accordance with the terms of the ERDF funding so as to avoid any claw back of the grant. The contingent liability in respect of the ERDF funding ceases in August 2019.

An amount of £29.6m social housing grant relating to Rodney Housing Association properties acquired in April 2007 is not shown in the notes to the accounts but is disclosed for information.

39. Pension costs

(a) The Social Housing Pension Scheme

Companies within the Group participate in the Social Housing Pension Scheme (the Scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.

The Scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last triennial valuation of the scheme for funding purposes was carried out as at 30 September 2017. This valuation revealed a deficit of £1,522m. A Recovery Plan has been put in place with the aim of removing this deficit by 30 September 2026.

The Scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the Scheme. Participating employers are legally required to meet their share of the Scheme deficit on an annuity purchase basis on withdrawal from the Scheme.

For financial years ending on or before 28 February 2019, it has not been possible for the company to obtain sufficient information to enable it to account for the Scheme as a defined benefit scheme, therefore the company has accounted for the Scheme as a defined contribution scheme.

For financial years ending on or after 31 March 2019, it is possible to obtain sufficient information to enable the company to account for the Scheme as a defined benefit scheme.

For accounting purposes, two actuarial valuations for the scheme were carried out with effective dates of 31 March 2018 and 30 September 2018. The liability figures from each valuation are rolled forward to the relevant accounting dates, if applicable, and are used in conjunction with the company’s fair share of the Scheme’s total assets to calculate the company’s net deficit or surplus at the accounting period start and end dates.

Assumptions	**Group 2019**	**Association 2019**
Inflation	2.3%	-
Rate of discount on scheme	2.3%	-
Rate of salary increase	3.3%	-
Rate of increase of pensions		
Life expectancy male non-pensioner	23.2	-
Life expectancy female non-pensioner	24.7	-
Life expectancy male pensioner	21.6	-
Life expectancy female pensioner	23.5	-

The fair value of the schemes’ assets at 31 March 2019, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme’s liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were as follows.

	Group 2019 £’000	**Association 2019 £’000**
Fair value of assets	**97,108**	-
Present value of liabilities	**(131,348)**	-
Deficit in the scheme	**(34,240)**	-

39. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (cont'd)

The market value of the assets of the scheme and the expected long term rates of return at 31 March were as follows.

	Group 2019 £'000	Association 2019 £'000
Market value		
Global Equity	16,340	-
Absolute Return	8,402	-
Distressed Opportunities	1,765	-
Credit Relative Value	1,778	-
Alternative Risk Premia	5,601	-
Fund of Hedge Funds	437	-
Emerging Markets Debt	3,350	-
Risk Sharing	2,933	-
Insurance-Linked Securities	2,785	-
Property	2,186	-
Infrastructure	5,092	-
Private Debt	1,303	-
Corporate Bond Fund	4,531	-
Long Lease Property	1,428	-
Secured Income	3,477	-
Liability Driven Investment	35,514	-
Net Current Assets	186	-
Total	97,108	-

	Group 2019 £'000	Association 2019 £'000
Analysis of the amount charged to operating surplus		
Current service cost	-	-
Past service cost / (gain)	-	-
Total operating charge	-	-

	Group 2019 £'000	Association 2019 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	**2,424**	448
Interest on pension liabilities	**(3,119)**	(577)
Net return	**(695)**	(129)

39. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (cont'd)

	Group 2019 £'000	Association 2019 £'000
Movement in (deficit) during the year		
Initial recognition of multi-employer defined benefit	**(28,225)**	(10,443)
Movement in year:	**-**	-
Current service cost	**-**	-
Past service cost	**-**	-
Contributions	**2,647**	661
Expected return on plan assets	**2,424**	448
Interest on pension liabilities	**(3,119)**	(577)
Administration expenses	**(67)**	(18)
Remeasurement gain / (loss)	**-**	-
Business combination	**-**	9,638
Actuarial (loss)/gain in SCI	**(7,900)**	291
Deficit in schemes at end of the year	**(34,240)**	-

	Group 2019 £'000	Association 2019 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**1,697**	(1,727)
Experienced gains (losses) arising on the scheme liabilities.	**(166)**	-
Change in assumptions underlying the present value of scheme liabilities	**(9,431)**	2,018
Actuarial (loss)/gain recognised in SCI	**(7,900)**	291

	Group 2019	Association 2019
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**1,697**	(1,727)
% of scheme assets	**1.7%**	-
Experienced (losses)/gains on liabilities (£'000)	**(166)**	-
% of scheme liabilities	**(0.1%)**	-
Total amount recognised in SCI (£'000)	**(7,900)**	291
% of scheme liabilities	**(6.0%)**	-

	Group 2019 £'000	Association 2019 £'000
Reconciliation of assets		
Initial recognition of multi-employer defined benefit	**95,059**	35,172
Employer contributions	**2,647**	661
Employee contributions	**-**	-
Benefits paid	**(4,719)**	(873)
Expected return on plan assets	**2,424**	448
Remeasurement of assets	**1,697**	(1,727)
Business combination	**-**	(33,681)
Assets at end of year	**97,108**	-

39. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (cont'd)

	Group 2019 £'000	Association 2019 £'000
Reconciliation of liabilities		
Initial recognition of multi-employer defined benefit	**123,284**	45,615
Operating charge	**-**	-
Interest cost	**3,119**	577
Employee contributions	**-**	-
Benefits paid	**(4,719)**	(873)
Actuarial gain(loss)	**9,597**	(2,018)
Administration expenses	**67**	18
Business combination	**-**	(43,319)
Benefit obligation at end of year	**131,348**	-

(b) Local Government Pension Scheme

Onward Homes Limited makes contributions to other Local Government defined benefit Pension schemes being: the Greater Manchester Pension Fund and the Merseyside Pension Fund. The Association is a participating employer in the respective schemes.

The most recent actuarial valuations of these schemes have been updated for accounts purposes by independent qualified actuaries. The disclosures represent each entity's share of the overall scheme's assets and liabilities. As permitted by FRS102 the disclosures for these entities have been consolidated. The assumptions used, which have been combined on a weighted average basis on asset values, are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered may not necessarily be borne out in practice.

The major assumptions used in this valuation are as follows.

Assumptions	**2019**	2018
Inflation	2.2%	2.2%
Rate of discount on scheme	2.4%	2.7%
Rate of salary increase	2.5%	3.7%
Rate of increase of pensions	2.5%	2.2%
Life expectancy male non-pensioner	23.7	25.0
Life expectancy female non-pensioner	26.2	27.8
Life expectancy male pensioner	21.5	22.0
Life expectancy female pensioner	24.1	24.8
Mortality assumptions (normal health)		
Basis	S2PA CMI_2013	S2PA CMI_2015
Non-retired members	1.25% 98% male, 1.25% 89% female	1.75% 107% male, 1.5% 92% female
Retired members	1.25% 99% male, 1.25% 93% female	1.75% 112% male, 1.5% 99% female

39. Pension costs (cont'd)

(b) Local Government Pension Scheme (cont'd)

The fair value of the schemes' assets at 31 March 2019, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and are thus inherently uncertain, were:

	2019 £'000	2018 £'000
Fair value of assets	**2,924**	2,757
Present value of liabilities	**(3,818)**	(3,617)
Deficit in the scheme	**(894)**	(860)

The market vaslue of the assets of the scheme and the expected long term rates of return at 31 March were:

	2019 £'000	2018 £'000
Market value		
Equities	**2,018**	1820
Government Bonds	**438**	441
Other Bonds	**-**	-
Property	**234**	193
Cash/liquidity	**234**	303
Other	**-**	-
Total	**2,924**	2,757

	2019 £'000	2018 £'000
Analysis of the amount charged to operating surplus		
Current service cost	**63**	653
Past service cost / (gain)	**-**	-
Total operating charge	**63**	653

	2019 £'000	2018 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	**71**	620
Interest on pension liabilities	**(95)**	(761)
Net return	**(24)**	(141)

39. Pension costs (cont'd)

(b) Local Government Pension Scheme (cont'd)

	2019 £'000	2018 £'000
Movement in (deficit) during the year		
Deficit in schemes at start of the year	**(860)**	(6,989)
Movement in year:		
Current service cost	**(63)**	(653)
Past service cost	**-**	-
Contributions	**34**	1,204
Expected return on plan assets	**71**	-
Interest on pension liabilities	**(95)**	(141)
Administration expenses	**-**	(9)
Curtailment on exit	**-**	(1,211)
Settlement on exit	**-**	5,350
Actuarial (loss)/gain in SCI	**19**	1,589
Deficit in schemes at end of the year	**(894)**	(860)

	2019 £'000	2018 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**133**	654
Experienced gains (losses) arising on the scheme liabilities.	**-**	-
Change in assumptions underlying the present value of scheme liabilities	**(114)**	935
Actuarial (loss)/gain recognised in SCI	**19**	1,589

	2019	2018
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**133**	654
% of scheme assets	**4.5%**	23.7%
Experienced (losses)/gains on liabilities (£'000)	**-**	-
% of scheme liabilities	**-**	-
Total amount recognised in SCI (£'000)	**19**	1,589
% of scheme liabilities	**0.5%**	43.9%

39. Pension costs (cont'd)

(b) Local Government Pension Scheme (cont'd)

	2019 £'000	2018 £'000
Reconciliation of assets		
Assets at start of year	**2,757**	29,989
Employer contributions	**34**	1,204
Employee contributions	**11**	128
Benefits paid	**(82)**	(1,090)
Expected return on plan assets	**71**	620
Remeasurement of assets	**133**	654
Administration expenses	**-**	(9)
Settlement on exit	**-**	(28,739)
Assets at end of year	**2,924**	2,757

	2019 £'000	2018 £'000
Reconciliation of liabilities		
Benefit obligation start of year	**3,617**	36,978
Operating charge	**63**	653
Interest cost	**95**	761
Employee contributions	**11**	128
Benefits paid	**(82)**	(1,090)
Actuarial gain(loss)	**114**	(935)
Curtailment on exit	**-**	1,211
Settlement on exit	**-**	(34,089)
Benefit obligation at end of year	**3,818**	3,617

Contour Homes has a pension liability with the Greater Manchester Pension Fund in relation to the Private Finance Initiative (PFI) which is matched with a commitment to Contour Homes by Manchester City Council. Variations in the obligation are reflected in the management fee.

In the year the liability of £2,266,000 (2018: £1,965,000) and corresponding asset of £1,728,000 (2018: £1,565,000), disclosed but not contained in the financial statements, moved as follows. The figures show the net position of the fair value of planned assets and the present value of funded liabilities.

	Group	
	2019 £'000	2018 £'000
At start of the year	**400**	401
Interest on pension liabilities	**11**	12
Transfers to reserves (actuarial gain in period)	**93**	(55)
Contributions in period	**(35)**	(41)
Current service costs in the period	**69**	83
At end of the year	**538**	400

40. Improvement Programme / VAT Shelter

At the time of the transfer of the Housing stock in April 2008, Ribble Valley Homes entered into a HM Revenue & Customs (HMRC) approved arrangement with Ribble Valley Borough Council (RVBC) to carry out a housing stock improvement programme totalling £39m. There is a VAT sharing agreement with the Council in respect of the improvement programme. An estimated amount of £6.8m of VAT savings was approved under the approved arrangement with RVBC reflecting the 15 year VAT shelter agreed with HMRC.

Expenditure of £1,931,000 is still planned which represents first cycle works and is deemed to be of a capital nature charged within the statement of financial position as it is incurred. The capital cost charged to the statement of financial position is depreciated in line with the group's depreciation policy.

41. Post Balance Sheet Events

There were no significant post Balance Sheet events requiring adjustment to the financial statements.

42. Prior year adjustment

The accounts have been restated following a review of fixed assets. This relates to housing property fixed assets and their associated grants and scheme equipment held within other fixed assets.

Due to these asset restatements, in 2018 Group turnover has been restated to £168,881,000, operating surplus has been restated to £48,365,000, surplus on ordinary activities before taxation to £32,502,000 and total comprehensive income has been restated to £34,133,000.

The total impact on the reserves balance as at 1 April 2017 is a decrease of £28,718,000 and as at 31 March 2018 reserves have decreased by £9,608,000.

a) Housing property fixed assets

The review demonstrated that the logic for the composition of some structure and components together with the application of historic policy changes had not been applied consistently and that there were some structure and component mismatches which when corrected altered the amount of accumulated depreciation and accumulated amortisation of deferred capital grant.

Housing property fixed assets accumulated depreciation has been restated in the balance sheet leading to an increase in net book value of £19,943,000 in 2018.

There is a net reduction in operating costs charged in 2018 of £6,706,000 made up of £7,038,000 of depreciation and (£332,000) of other costs.

The restatement of deferred capital grants in the balance sheet has led to an increase in creditors of £27,017,000. The restatement for 2018 resulted in a decrease in Turnover of £2,045,000.

b) Other fixed assets

Other fixed assets were restated in the year due to a change in accounting policy for scheme assets, this has resulted in 2018 net book value being reduced by £2,534,000. This is further broken down to a reduction in cost of fixed assets of £5,124,000 and a reduction in accumulated depreciation of £2,591,000.

The table below summarises the overall movements in the Statement of Comprehensive Income and Statement of Financial Position as a result of the restatements.

	Original balances for year ending 31 March 2018	Restatement impact	Restated balances for year ended 31 March 2018
	£'000	**£'000**	**£'000**
Statement of Comprehensive Income			
Turnover	170,926	(2,045)	168,881
Operating costs	(127,016)	6,706	(120,310)
Operating surplus	**43,704**	**4,661**	**48,365**
Surplus before tax	**27,841**	**4,661**	**32,502**
Statement of Financial Position			
Housing property cost	1,034,302	19,943	1,054,245
Other fixed assets	22,520	(2,534)	19,986
Creditors	(855,571)	(27,017)	(882,588)
Total reserves as at 1 April 2017	**442,438**	**(28,718)**	**413,720**
Total reserves as at 31 March 2018	**366,308**	**(9,608)**	**356,700**