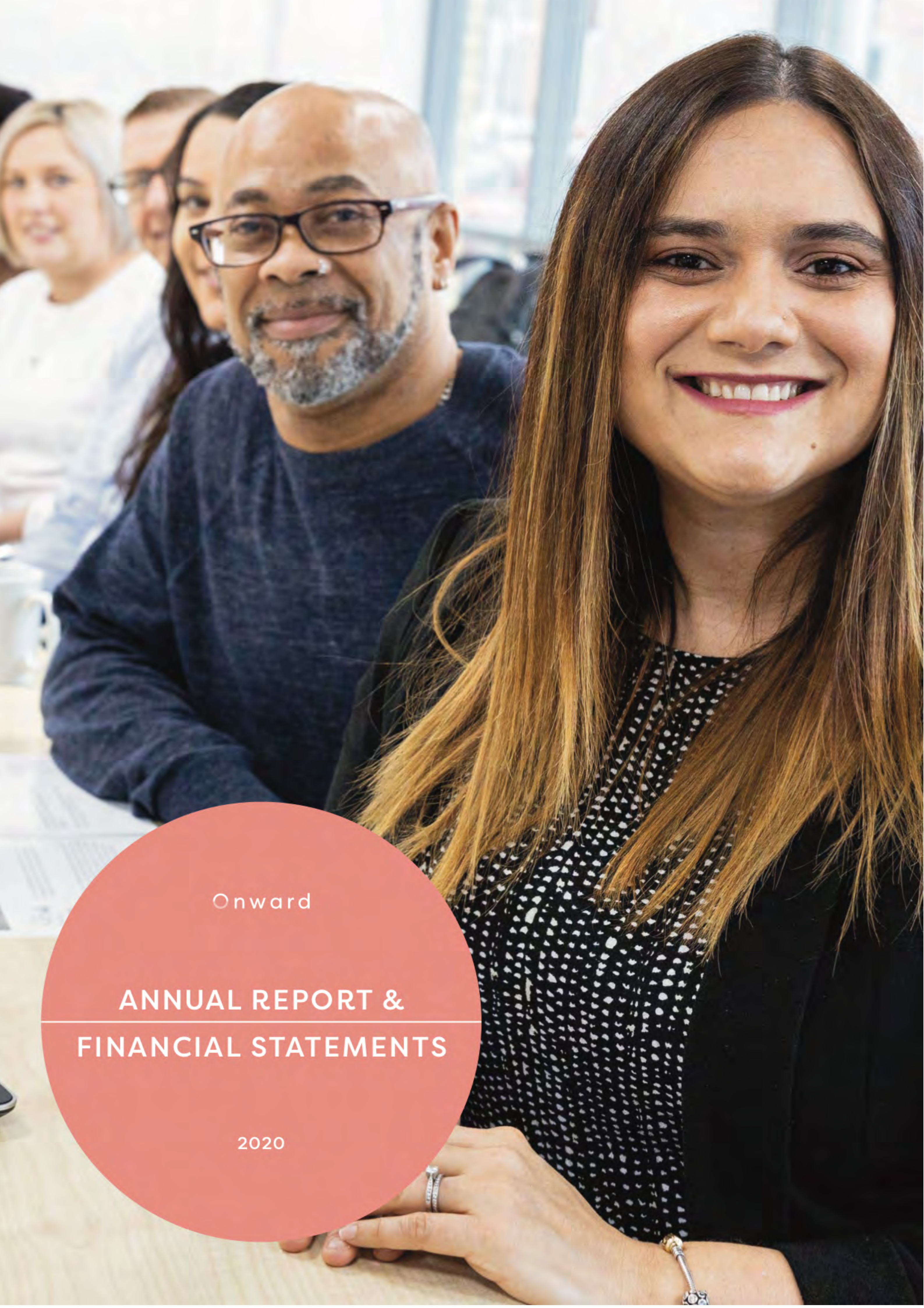


Onward

# ANNUAL REPORT & FINANCIAL STATEMENTS

2020

# Annual Report and Financial Statements

# Foreword.

In the past year, Onward has used its resources to make a positive difference in the communities we serve. We have enjoyed successes, and tackled challenges head-on, always seeking to deepen our partnership with customers in their homes and neighbourhoods.

The Onward approach is about listening to customers and being active in their neighbourhoods. This has underpinned our evolution from a newly merged organisation, to a more mature one proving able to meet the unprecedented challenges of the Coronavirus crisis.

In the extended introduction to this Annual Report, you will hear about the past year directly from our customers and colleagues in the Onward team. This is an effort to share new perspectives and voices with you, as well as more information.

You will hear about the steps Onward has taken to involve customers in shaping the services we provide. We want to open up our decision making to customers and believe this is crucial to driving up standards.

You will hear stories about people and communities supported by Onward as an active civic partner, more than just a landlord. Our proactive role in communities has come to the fore as a result of Coronavirus, but it was already an indispensable part of our core mission and will remain so.

You will also hear about Onward Living, our new home building arm that is beating all of our targets for planning, building and selling new homes. Onward Living builds our capacity to support the full range of housing aspirations, from a safe and secure home to rent, through to a springboard to home ownership.

Financial strength, resilience and good governance are the foundations of sustainable success. The financial results detailed in this report demonstrate our robust position and our ability to deliver well into the future. Onward is equipped and ready to play a unique role in both supporting communities and driving economic growth to contribute to the North West and the UK emerging strong and united from the current crisis.

**Dr Neil Goodwin CBE,**
Board Chair

# Making a positive difference in the communities we serve.

Everything we do at Onward is guided by our determination to make a positive difference in the communities we serve.

In the past year we have made significant progress supporting our customers and communities, by widening access to quality homes, helping those who need it and supporting aspirations for home ownership.

*Our work during 2019/20 is best understood through our three strategic objectives:*

**Improving our neighbourhoods**

By being an active partner in the community to improve our customers' quality of life.

**Becoming the social landlord of choice**

By providing customers with a consistently excellent service and helping them live better for less.

**Growing in areas where we can make a positive difference**

By buying and building homes that our customers will be proud to live in.

In this opening section of our Annual Report, we draw on the perspectives of customers and colleagues to share some of the successes and challenges of the last 12 months.

**Bronwen Rapley,**
Chief Executive

# **MORE** THAN JUST A **LANDLORD.**

In our ongoing mission to make a positive difference, we've enjoyed successes and tackled challenges head-on, always seeking to deepen our partnership with customers in their homes and neighbourhoods.


Onward Living – Sold Out!
Our new housing brand smashes sales targets in Year One.

Getting on site to build 700 homes, more than our annual target of 500.

Completing our journey to be one organisation with new offices in Liverpool.

Helping to feed our communities in partnership with Open Kitchen Manchester.

Community Shop Runcorn,
an award-winning
social enterprise.

Transformative investment
planned in Murdishaw and
Queen Street, Preston.

2,000 Onward customers
actively engaged in
shaping local services.

New Customer Charter to
drive up service standards.

# IMPROVING OUR NEIGHBOURHOODS.


Community Shop volunteers.

At the heart of the community: Community Shop Runcorn.

Onward is supporting a new social supermarket in Runcorn, supporting thousands of Runcorn residents by providing £50,000 of funding along with rent-free space at our Priory House office.

Community Shop is an award-winning social enterprise giving members access to high-quality, low-cost food and household products. Membership is open to local people who receive welfare support.

Community Shop is playing an active role supporting vulnerable people during the Coronavirus crisis, making sure the community can access essential goods, safely and affordably.

We are planning to do this all over again in 2020 at our Walton Road offices in Kirkdale, Liverpool, providing £150,000 of funding and rent-free space.

Community Shop

OPEN FOR MORE

## Feeding the people: Open Kitchen Manchester.

Open Kitchen MCR is a waste food initiative based in our Didsbury office. As the Coronavirus crisis escalated, Open Kitchen stepped up, working flat-out to make sure there was enough food for local people in need.

More than 70 volunteers – including 15 professional chefs from Manchester! – helped prepare, pack and distribute food to those who needed it most during these difficult times.

Onward has provided significant additional financial support to Open Kitchen during the Coronavirus crisis, helping it reach out to many more people.

Corin Bell, Director, Open Kitchen MCR.

**"At times like these, you find out who your friends are."**

Corin Bell.

## Working with customers to transform their neighbourhoods.

Onward neighbourhood specialists have been working hand in glove with customers to tailor our services to specific local needs through our Neighbourhood Plans initiative.

Masterplanning exercises have been completed for transformative investment in our priority regeneration areas of Murdishaw and Queen Street, Preston.

We are delivering neighbourhood improvements in Hattersley and have created an updated blueprint for the former district centre, with work on multiple sites starting this year.

Hattersley, Greater Manchester

# BECOMING THE SOCIAL LANDLORD OF CHOICE.

## Repairs: A plan is in place to meet the expectations of our customers.

New challenges have emerged this year in delivering repairs for some of our customers.

In response, a new plan is in place to meet the high expectations of service that we share with our customers.

We have boosted our capacity to resolve customer contacts by setting up an additional customer support centre staffed by 15 new colleagues. As a result, we are now able to respond to 90% of customer calls in fewer than 60 seconds.

Onward Repairs, our new dedicated repairs service, was launched earlier this year and has successfully expanded across Lancashire, delivering strong performance.


Mo Farooq,
Onward Repars
operative.

## Taking action to share decision making with our customers.


Val Alker, Customer Engagement Specialist.

Our Regional Scrutiny Boards in Merseyside, Lancashire and Manchester & Cheshire, are giving tenants an opportunity to monitor and challenge our performance and decision making.

Our first survey as Onward of all of our tenants and residents has helped us understand what we are doing well and where we need to improve.

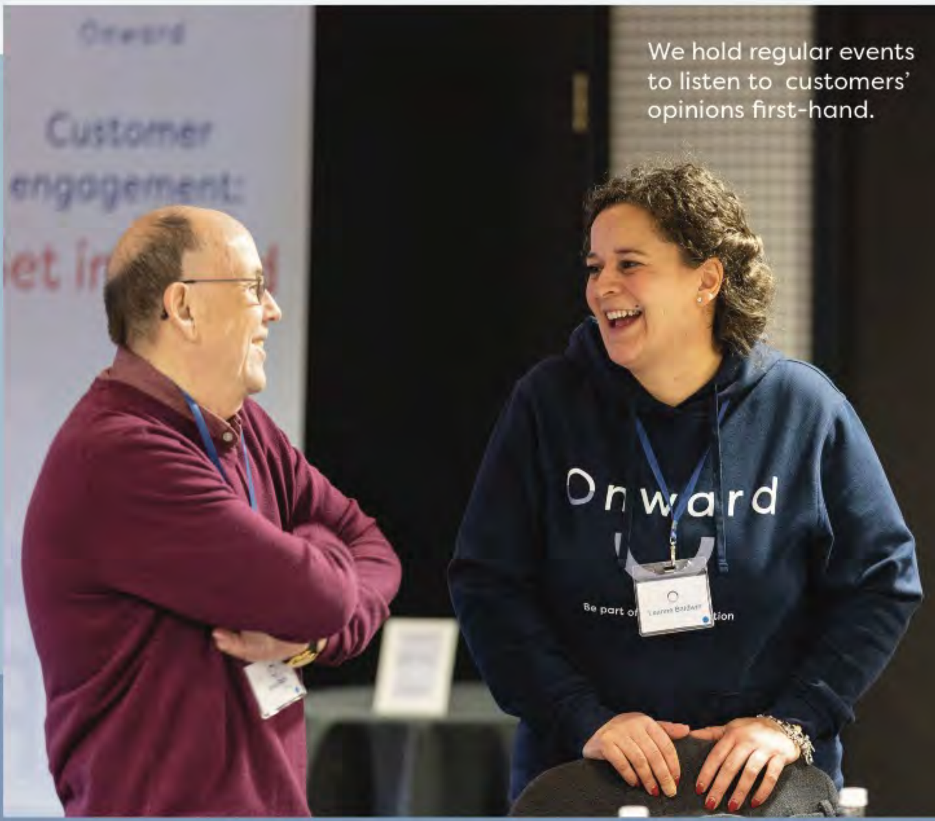
Following 7,500 responses, we are prioritising improvements to repairs and developing a Customer Charter to make service standards really clear.

More than 2,000 Onward customers are actively shaping the way we design and deliver their services. Our Engagement Community directs our priorities in their neighbourhood and provides access to personal training and development opportunities for participants.

## Using feedback to shape our services

We are carrying out more customer surveys than ever before so we can gather feedback on our services and understand what matters most to customers.

We are also committed to transparency and sharing the results of our surveys with customers so they can hold us accountable for making change based on their responses.




We hold regular events to listen to customers' opinions first-hand.

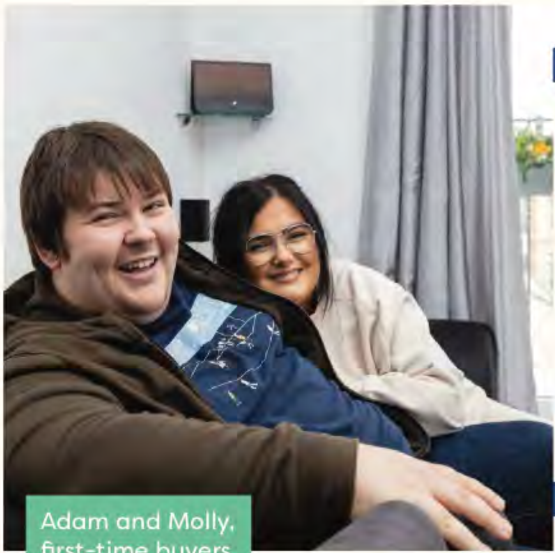
### Grounds maintenance:

Between April and May 2020, we carried out a satisfaction survey of 14,476 customers around our current grounds maintenance services.

We learned that customers want a clear breakdown of service charges that reflect the quality, consistency and efficiency of service delivery.

The results of this survey will help shape the new services set to launch in January 2021.

# GROWING IN AREAS WHERE WE CAN MAKE A POSITIVE DIFFERENCE.



Adam and Molly, first-time buyers.

**“With shared ownership and the deposit needed, we were like: ‘Why wait? We can do this right now’.”**

## Onward Living delivers new homes.

Our Onward Living new homes brand was successfully launched in April 2019 and in its first year has beaten its sales targets, supported by an innovative online campaign.

Onward Living achieved income of £5.19m from 68 sales across the year, beating its target of £4m on 65 sales and selling out of stock by the end of the year.

We are now firmly positioned as a leading provider of affordable homeownership in the North West, providing a sustainable balance of affordable homes, shared ownership and full ownership to meet the range of housing aspirations in the community

Onward living

“We’re proud to be helping build communities with Onward.”

Mick Cunningham, Construction Director, Lane End.

## A long-term pipeline to deliver new homes for years to come.

Onward has secured the opportunity to deliver a new community at Basford, enabling our ambition to deliver consistently high numbers of homes.

We have got to work on sites building 771 new homes, supported by Homes England, in line with our plans of 12 months ago and above our target of 500 new homes a year.

An established pipeline of schemes, always around 2500/3000, is cementing our reputation as a developer of quality and size, with a steady flow of development opportunities.

Bronte Aspin-Wood, Trainee Assistant Project Manager.

“Building Bricks has given me invaluable experiences through sessions led by experts in their fields.”

## Marshalling our resources for long-term success.

Onward is tackling the skills gap in the construction industry by establishing the Building Bricks training programme, accessed free of charge by Onward colleagues and fellow Registered Providers.

We have established a new finance business partnership with Proval that will provide stronger assurance for our expanding new homes programme.

Our property development team has grown to include 12 new members of staff, giving us more hands to deliver more homes in the years ahead.

# BOARD, SENIOR MANAGMENT AND ADVISORS

## Members of the Board

### Non-Executive Directors

**Dr Neil Goodwin CBE** (Chairman)

**Rachel Barber**

**Wyn Dignan**

**William Hewish**

**Paul High**

**Brian Roebuck** (Deputy Chairman)

**Michael Verrier**

### Executive Directors

**Bronwen Rapley**, Chief Executive

**Alastair Cooper** Executive Director (Operations) (resigned August 2020)

**Elizabeth Curran** Interim Executive Director (Finance) (appointed July 2019, resigned October 2019)

**Alexander Livingstone** Executive Director (Property)

**Michael Gerrard** Executive Director (Finance) (appointed October 2019)

## Company Secretary

**Catherine Farrington**

**Victoria Parr** (Deputy, appointed March 2020)

## Principal Banker

**NatWest PLC**
33 Piccadilly
Manchester, M1 1LR

## Principal Solicitors

**Devonshires LLP**

30 Finsbury Circus, London EC2M 7DT

**Trowers & Hamlins LLP**

55 Princess Street, Manchester M2 4EW

## External auditor

**BDO LLP**

3 Hardman Street, Spinningfields, Manchester, M3 3AT

## Internal auditor

**PricewaterhouseCoopers LLP**

1 Hardman Square, Manchester, M3 3EB

# STRATEGIC REPORT

### Introduction

The Board presents its strategic report, containing the operating and financial review and value for money report, for the year ended 31 March 2020.

### 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 continue to put in place strong foundations which will enable us to deliver our three objectives:

1. Be the social landlord of choice
2. Improve the experience for those living in our communities and neighbourhoods
3. Grow where we can deliver a better service and make a positive difference

These are supported by two enabling objectives:

1. Build an Onward environment and culture
2. Be well governed and make the best use of our resources

The amalgamation of 4 subsidiaries which took place in 2018 started the process to bring the Group together, strengthening resources and operating as one organisation. Onward's structures and governance continue to evolve in order to achieve the optimal organisation for delivery of the strategic objectives.

### Legal structure and objectives

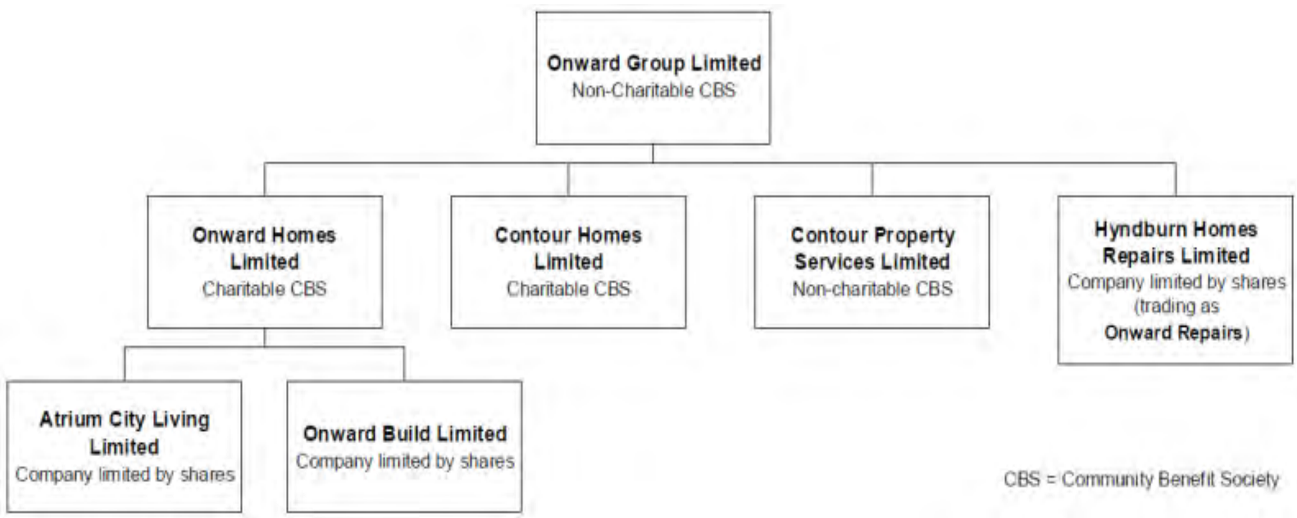
Onward Group Limited (the 'Association'), the Group parent, is a non-charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority (31216R) and the Regulator of Social Housing (RSH) as a Registered Provider of social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

Onward Homes Limited and Contour Homes Limited are the two largest and only charitable subsidiaries in the Group, owning around 28,000 social and affordable homes. They deliver the majority of services to customers.

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: GMJV Fundco LLP which will deliver new homes for sale in Greater Manchester and CRDP Developments LLP which will deliver new homes in Goosnargh,

On 29 March 2019, Onward Build Limited became a subsidiary of Onward Homes Limited. Its purpose is a development company which will be used to provide development services to the Group and support the building of new homes. Onward Build has been selected to deliver the Group's flagship development scheme at Basford East near Crewe which will deliver over 450 new homes for affordable rent, shared ownership and market sale.

Contour Property Services provides services to leaseholders. Hyndburn Homes Repairs provides repairs services in the Lancashire region.



The Group is governed by a common Board which acts as the Board for Onward Group Onward Homes and Contour Homes together. It has responsibility for Group oversight and ensuring consistency of strategy service and compliance.

## Operating and Financial Review

### Financial review

The Group is pleased to report a net surplus for the year of £17.0m (2019 £15.3m). The surplus was below the budget of £25.7m primarily due to additional repairs costs associated with embedding new contracts and accelerated depreciation associated with our capital component replacement programme. Net surplus was 10.9% (2019: 10.4%) of turnover and the operating margin was 19.1% (2019: 25.5%). Total comprehensive income was positively impacted by an actuarial gain of £18.7m in the Social Housing Pension Scheme (SHPS) liability. Movement in this net liability is volatile from year to year and the Covid-19 pandemic may impact asset values and the net liability next year. Underlying operating performance remains solid and in line with our business plan and is evidenced in the Operating Review below.

Total turnover increased from £146.8m to £155.8m in 2020, an increase of 6.1%, primarily due to higher first tranche shared ownership sales and increased grant amortisation. The Group continues to generate a strong net cash flow from operating activities of £35.7m (2019: £46.7m).

The Group ended the year with cash and short-term investments of £52.8m (2019: £48.4m). These resources will continue to be used to fund the Group's objectives over the next three years.

At a Group level, interest cover (which measures the extent to which the surplus covers interest payments) is 2.2 in 2020 (2019: 1.7), and gearing (which measures the level of indebtedness, and using the value for money metrics definition) has changed little to 23.2% (2019: 23.6%). These ratios remain comfortably within the minimum and maximum levels permitted by funders' loan agreements.

The following table explains the main reasons for the change in operating surplus between 2019 and 2020.

| | £m |
|---|---|
| **2019 Net Surplus** | **15.3** |
| Reduced interest charges after amalgamation | 9.6 |
| Amortised grant | 2.5 |
| Net Rental Income | 1.6 |
| Accelerated depreciation on component replacement programme | (3.3) |
| Repairs mobilisation | (2.2) |
| Compliance and other cyclical | (3.4) |
| Indirect overhead & other | (3.1) |
| **2020 Net Surplus** | **17.0** |

Interest charge reductions have been realised after amalgamation in October 2018. Other positive movements in the year included higher level of grant amortised in the year and an increase in net rental income relating to additional units which came into management during the year. Accelerated depreciation as a result of our latest component replacement programme has added to our operating costs. Repairs contract mobilisation and embedment has incurred additional costs – mainly in void repairs. Property compliance, particularly relating to fire risk, continues to incur extra costs and is likely to continue to do so as specific projects are taken forward in the coming year. Payroll costs, and related support costs, continue to increase as we gear up for growth for example the recent establishment of a property sales team.

A five year summary of the Group's past financial performance is shown below. Turnover has held up well during a period of rent reduction and after Cobalt's exit from the Group in 2017. 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 | 2020 £m | 2019 £m | 2018 £m | 2017 £m | 2016 £m |
|---|---|---|---|---|---|
| Turnover | 155.8 | 146.8 | 168.9 | 181.3 | 183.8 |
| Operating Costs & Cost Of Sales | (129.1) | (112.1) | (122.1) | (135.9) | (141.0) |
| Gain on Disposal of Housing Property Assets | 3.0 | 2.8 | 1.6 | 1.4 | 1.3 |
| Operating Surplus | 29.7 | 37.5 | 48.4 | 46.8 | 44.0 |
| Share of loss in joint venture | (0.0) | - | - | - | - |
| Interest Receivable | 2.7 | 3.0 | 0.5 | 0.9 | 1.0 |
| Interest Payable | (14.7) | (24.3) | (15.6) | (16.7) | (17.6) |
| (Loss)/Surplus on Disposal of Assets | (0.5) | (1.0) | (0.8) | (0.1) | 0.5 |
| Taxation | (0.2) | 0.1 | (0.0) | - | - |
| Surplus for the year after Tax | 17.0 | 15.3 | 32.5 | 30.8 | 28.0 |
| Other Comprehensive Income | 18.7 | (19.2) | 1.7 | (2.7) | 2.6 |
| Total Comprehensive Income for the Year | 35.7 | (3.9) | 34.1 | 28.1 | 30.6 |

| Statement of Financial Position | 2020 £m | 2019 £m | 2018 £m | 2017 £m | 2016 £m |
|---|---|---|---|---|---|
| Housing Properties net of Depreciation | 1,072.3 | 1,059.9 | 1,054.2 | 1,197.6 | 1,211.4 |
| Other Fixed Assets, Investments & Long Term Debtors | 35.9 | 37.1 | 38.1 | 39.8 | 43.7 |
| Net Current Assets | 12.3 | 27.3 | 100.1 | 106.8 | 104.1 |
| Total Assets Less Current Liabilities | 1,120.5 | 1,124.4 | 1,192.6 | 1,344.2 | 1,359.2 |
| Loans Due After 1 Year | 271.5 | 289.3 | 377.4 | 432.7 | 454.4 |
| Other Long Term Liabilities | 446.8 | 447.2 | 457.6 | 483.6 | 489.2 |
| Pension Liability | 13.6 | 35.1 | 0.9 | - | - |
| Revenue Reserves | 388.5 | 352.8 | 356.7 | 427.9 | 415.6 |
| Long Term Liabilities & Reserves | 1,120.5 | 1,124.4 | 1,192.5 | 1,344.2 | 1,359.2 |

| Financial Ratios | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Operating Margin (Overall)* | 17.1% | 25.5% | 28.6% | 25.8% | 23.9% |
| Net Margin | 10.9% | 10.4% | 19.2% | 17.0% | 15.2% |
| Return on Net Assets (RONA) | 1.5% | 1.4% | 2.7% | 2.3% | 2.1% |
| Return on Capital Employed (ROCE) | 2.6% | 3.3% | 4.1% | 3.5% | 3.2% |
| EBITDA-MRI | 210% | 158% | 360% | 308% | 251% |
| Interest Cover | 2.2 | 1.7 | 3.1 | 2.9 | 2.6 |
| Gearing | 23.2% | 23.6% | 24.8% | 25.3% | 27.2% |
| Headline Social Cost Per Unit £'000 | 3,562 | 3,413 | 3,718 | 3,151 | 3,442 |
| Net Debt Per Unit | 8,662 | 8,625 | 9,102 | 8,509 | 9,260 |

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

**Covid-19:** The effects of the virus in the current year were small. Looking forward the Group can draw on strong financial viability as evidenced by the current V1 financial viability rating of the Regulator of Social Housing (RSH). The Group's viability assessment is underpinned by a robust sensitivity and stress testing analysis of the Group's financial plan. The table included in the value for money statement further below evidences the Group's strong forward performance despite our forecast impact of the pandemic on void levels, collection rates and reduced inflation. Further information on the impact and plan of mitigation can be found under the Going Concern section of Directors' Report or Accounting Policies.

## Operating review

### Performance

The Group's annual performance has held up well despite the dip in the last couple of weeks in March as Covid-19 began to impact. The Group has maintained its financial viability and strength.

The last twelve months has seen the Group embed the changes from a significant restructure of the Group during 2018-19 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 provides 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 | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Void Loss % | **1.63%** | 1.65% | 1.69% | 1.67% |
| Average re-let (days) | **52.47** | 48.95 | 43.51 | 48.92 |

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.

We continue to assess the performance of all property assets using the Savills Asset Performance Evaluation model. For long terms voids we 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 6 empty properties. Last year we disposed of 32 empty properties and the reducing number is evidence that the majority of our unsustainable properties are now gone. The impact of this strategy for long term voids means that the average time to let remains high. Long term voids in our supported portfolio particularly continue to be a challenge however general let re-let times average 36 days. Repair contract embedment has seen performance slip slightly since last year. Service improvement plans are in place.

**Income collection and arrears**

| Measure | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| Rent Collection % | **99.9%** | 100.2% | 99.9% | 99.9% |
| Arrears - current residents % | **5.01%** | 4.95% | 3.88% | 5.04% |
| Arrears - former residents % | **1.38%** | 1.28% | 1.38% | 1.59% |
| Arrears - Total % | **6.39%** | 6.23% | 5.26% | 6.63% |

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 at 99.9% (2019: 100.2%). Covid-19 is expected to cause a large increase in universal credit applicants and our Financial Inclusion and Income Management teams are developing processes to ensure rent collection disruption is minimised.

### Repairs

The standard of our repairs service and the quality of our homes both remain really important to the organisation. Customer satisfaction has slipped during embedment of our new repairs contracts. Service improvement plans are in place and we continue positive discussions with our contractors.

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

| Measure | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Ave no. repairs per property** | **3.60** | 3.53 | 3.80 | 3.80 |
| **Repairs cost per property** | £474 | £490 | £437 | £439 |

## 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 below budget in the main to specific decisions in compliance and cyclical and component investment.

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

| Measure | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|
| **Actual results > Business Plan** | **No - see note** | **No - see note** | **Yes** | **Yes** |
| **Budget net surplus** | £25.7m | £21.2m | £17.8m | £26.5m |
| **Actual net surplus** | £18.1m | £15.4m | £27.8m | £29.6m |
| **Loan covenant compliance** | **Compliant** | **Compliant** | **Compliant** | **Compliant** |

## 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 2019/20 we completed 147 new homes, including 68 home ownership at an average 1st tranche ownership of 49%.

Our investment commitment 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. Onward Build was established to develop projects on behalf of Onward and has now purchased land near Crewe to commence its first major mixed tenure development at Basford totalling over 400 homes.

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 2019/20 we invested £14.5m new windows, kitchens, bathrooms, heating and re-roofing and spent a further £20m on compliance and cyclical works.

## 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 auditors, to establish an internal audit plan for the year which was closely aligned to the strategic risk register to provide assurance as to the operation of controls and the management of risk.

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

| Risk | Mitigation |
|---|---|
| **Delivering the performance requirements of the responsive repairs and gas contracts** | Performance indicators have been established to monitor performance in key areas and improvement plans have been agreed with contractors where required to support contractors to meet our performance expectations.<br>This risk will be under increasing pressure as we return to business as usual following the Covid19 lockdown due to materials shortages, a repairs backlog due to the fact that only emergency repairs where completed during lockdown and potential staffing issues at our contractors.<br>We will monitor the impact of these issues and establish plans with our contractors to support their response. |
| **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.<br>Communication plans are in place to ensure we communicate regularly with customers during the Covid19 pandemic to ensure they are fully aware of our response and changes to service provision. |
| **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.<br>External expertise is obtained where needed to ensure that our organisation has access to the range of skills required to manage this increasingly complex risk. |
| **Delivering our business plan and strategic objectives** | Covid19 may have an impact on our ability to achieve our business plan and strategic objectives as we focus our business on responding to the challenges presented by the pandemic and supporting our customers during this time.<br>We have reforecast our business plan to reflect this challenge and will monitor performance using a range of performance measures. |
| **Economic downturn** | Covid19 is expected to have a significant impact on the economy and a recession is anticipated.<br>We have reforecast our business plan and reviewed our financing to ensure we are able to respond to this challenge. The reforecast plans have been shared with our Board and performance will be monitored by Board as we continue to assess the impact on our business and our customers. |
| **Regulatory breach** | Onward has robust governance arrangements, however, there is a risk that the Covid19 pandemic will impact on our ability to maintain compliance with all regulatory standards. Our performance measures and pandemic response team review compliance on a regular basis and issues would be identified on a timely basis.<br>We remain in regular communication with the Regulator and will notify them should any breaches arise. |
| **Governance** | The recruitment and development of experienced non-executive directors ensures that those charged with governance have the skills required 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 continue to work with external organisations to challenge our governance arrangements and support further improvements. |
| **Cashflow** | The Covid19 pandemic places increased pressure on our cashflow as we seek to support our customers, maintain services and make payments to our contractors.<br>We have reforecast our cashflow using assumptions that reflect the potential impact of Covid19 and monitor performance against this on a regular basis with regular reports to Board.<br>We have reviewed our financing to ensure that we are able to respond to any challenges. |
| **Deteriorating financial performance** | The impact of Covid19 may mean that we are unable to improve our underlying financial performance as planned. In addition, it may be challenging to maintain our performance at this difficult time.<br>We have reviewed our business plans and cashflow using assumptions that reflect risks that may arise due to the pandemic and monitor performance in delivering these new plans on a regular basis. |
| **Political uncertainty** | The Covid19 pandemic has changed the focus of the government and its policy direction is uncertain, including the future trading relationship between the UK and the European Union. As a business we remain flexible to manage the key risks that may arise and we have the ability to amend our business plans. We have completed robust stress testing which means we are well placed to respond to key risks should they crystallise. |

We continue to work to improve fire safety arrangements and ensure the safety of our customers by working collaboratively with local fire authorities to ensure fire safety is maintained, including improvement works to address any areas of concern. In addition, we provide tailored fire safety advice on a regular basis to customers to ensure they feel safe in their home. We continue to monitor and review this risk.

We considered that the strategic risks to the Group are sufficiently accommodated within our strategic risk register.

## 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.
- Use of derivative instruments only when approved by the Onward Board, £nil at 31 March 2020 (2019: £nil)
- 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.

The Group has borrowing facilities of £340.7m of which £301.7m has been drawn down. The available facility includes £59m of revolving facilities of which £39m is still available to be drawn down.

Pursuit of further development opportunities beyond 2019-20 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 treasury 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 2015 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 five committees:

- Audit and Risk - oversight of audit and risk matters for the Group.
- Finance and Performance – oversight and scrutiny of Group finance and performance.
- Nominations and Remuneration – makes recommendations to the Common Board on nomination and remuneration matters.
- Development - oversight of the development programme with some delegations to approve development schemes and land purchases.
- Treasury - reviews funding and treasury matters and makes recommendations to the Common Board.

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

**Strategy and approach**

Our corporate plan sets out our ambition to make the best use of our resources. The establishment of Onward Homes Limited from four heritage organisations in 2018, together with the continuation of Contour Homes Limited, has empowered us to focus on further steps towards greater financial capacity. That greater financial capacity and improved financial strength will improve our ability to deliver our strategic and corporate objectives and improve our value for money (VFM).

Onward has established 3 key strategic objectives from which all our corporate plans are derived. All projects and procurement supporting these plans are considered for value for money. We consider this impact in the context of our own performance metrics together with sector benchmarking as a measure of our success in delivery in the short and long term. Progress in these metrics informs the next iteration of our business plan.

Our 3 key strategic objectives are:

- Be the social landlord of choice.
- Improve our neighbourhoods.
- Grow where we make a positive difference.

To help achieve the 3 key objectives we will also:

- Build an Onward environment and culture for colleagues and customers.
- Be well-governed and make best use of our resources.

All our corporate objectives, plans and projects are developed to support our 3 key strategic objectives. In embedding VfM our corporate projects are monitored on progress to delivery and for financial impact and customer benefit. We measure our performance and success by reference to 5 sets of key performance indicators:

- Customer Star survey – customer satisfaction, with financial viability, is paramount and is our overriding measure of value for money in our day to day operations. We look for evidence of trends in this performance in the following datasets:
- Internal Operational Performance Dashboard – how we assess the **effectiveness** of our actions and use this to inform plans to influence customer satisfaction.
- Procurement savings – how we demonstrate **economy** in our spending and best use of our resources as part of our improvement plans.
- Annual changes to asset performance measured by our Asset Performance Evaluation (APE) model.
- The Regulator of Social Housing (RSH) VfM metrics – how we judge our **efficiency** in the context of the sector and our peer group.

Our performance in these five datasets informs our business planning process so that year on year we scope initiatives, by funding projects and process enhancements, to target continuous improvement. Included in this report are examples, not an exhaustive list, of the reporting and benchmarking work that we do in Onward to demonstrate value for money and to demonstrate how VfM is delivered and embedded in our approach to strategic, corporate and financial planning.

**How our customer survey informs us**

Our first full customer survey as Onward in 2019 showed us we had a lot of work to do in convincing our customers we would be their social landlord of choice. We believe our bottom quartile performance was largely based on historically inconsistent management processes pre-amalgamation combined with the repair services not delivering to the required standard. Last year's amalgamation was the culmination of a major change programme to build one organisation and a significant step in process improvement to deal with this level of satisfaction. Further initiatives to improve our customer satisfaction included the creation of one customer contact centre, a colleague restructure, harmonisation of terms and conditions and the tendering of a new repair service which took effect on 1st April 2019.

How we measure becoming the landlord of choice

| Satisfaction with key service area | % Expressing satisfaction | Quartile position | % required to move to next quartile |
|---|---|---|---|
| Satisfaction with value for money or rent | 79% | Q4 | 2% |
| Overall satisfaction with services provided by landlord | 74% | Q4 | 7% |
| Satisfaction with repairs and maintenance | 67% | Q4 | 7% |
| Satisfaction with value for money of service charge | 60% | Q4 | 5% |

How we measure improvement in our neighbourhoods

| Satisfaction with key service area | % Expressing satisfaction | Quartile position | % required to move to next quartile |
|---|---|---|---|
| Satisfaction with area as a place to live | 80% | Q4 | 0.5% |
| Satisfaction with overall quality of home | 76% | Q4 | 4% |

How we build an Onward Environment and Culture

| Satisfaction with key service area | % Expressing satisfaction | Quartile position | % required to move to next quartile |
|---|---|---|---|
| Satisfaction that Onward listens to residents views and acts upon them | 53% | Q4 | 10% |

Examples of action as a result:

- Customer satisfaction with value for money for rent and with services delivered to our tenants, along with a detailed project on service costs and recovery, led us to freeze fixed social housing service charges for 2020/21 at the previous year’s levels while we undergo a full consultation with our customers.
- The survey, with other regular snapshots, confirms to us that our customers are unhappy with the mobilisation of our new repairs contracts. We have agreed service improvement plans with our contractors.
- The improvement required in our customers’ perception of their area as a place to live and the overall quality of their home has led us directly to review and define an ‘estate’ standard and begin to incorporate this into our neighbourhood plans and strategic asset management.
- We have reconsidered and rationalised our dashboard of indicators in the above areas to ensure consistent reporting through to Board level.

**What our internal operational performance dashboard tells us this year**

There are clear messages from our operational performance dashboards that explain the views of our customers:

Income collection performance has been excellent and is now improved by use of the newly acquired Rent Sense software which allows us to target our collection resources more effectively. Operational performance has demonstrated that the £250k investment in this software will improve collection into the future and represents very good value for money with estimated savings in excess of £430k over the next 2 years.

Lettings and turnover have been adversely affected by the speed with which our contractors return void properties to management. The letting of long term supported voids has also spiked the figures this year. Supported voids risk is an element of an ongoing assessment of our supported services.

Implementation of our new responsive repairs, voids and gas contracts has led to a significant increase in repairs related customer complaints and dissatisfaction. Repairs service delivery since mobilisation in April 2019 has been below the agreed minimum performance level. Many of the repairs, lettings and customer contact measures have been adversely affected. Service improvement plans have been put in place with our contractors – though suspended during the Covid-19 emergency and we have used the lockdown period to work with them to improve customer service and value for money.

We have invested heavily in building safety through improving compliance across the organisation. This greater investment in our homes has driven higher costs in a number of areas. Compliance delivery is now effective within a strong control environment – not least demonstrated by the Group’s return to a G1 rating. Considerable catch up work has been delivered, particularly in the area of fire risk assessments, but there is still work to be completed in that area. With an improved control and reporting environment procurement of these services can now also focus on best price as well as capacity. Indications are that we are getting value for money in this area.

Staffing resource indicators (sickness and turnover) are positive, and our colleagues are well motivated to succeed. Our most recent colleague survey gained our best ever response rate of 70% (65% in 2019). Responses were improved in 9 out of 15 questions from the previous year. We are also encouraged that during the Covid-19 lockdown a 55% response rate to a further survey told us that of those that responded 100% understood their work priorities, 87% were able to deliver their work priorities satisfactorily and 82% were able to maintain a reasonable work/life balance.

**What procurement tells us – we are getting economies and have a strong procurement approach that is delivering results**

Our procurement team maintain and report an estimate of savings envisaged at the outset of any procurement exercise and, following the tender stage, report on actual savings achieved. Annualised tender savings of over £3.4m is clear evidence of economies being delivered, and hence capacity being developed to enable us to deliver improvement plans and to do more in pursuit of our 3 key strategic objectives.

The level of change still needed to reshape the organisation means that we place considerable emphasis on how we measure up against 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. We recognise that we are still in a period where we need to invest to build our effectiveness, and especially 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. Considerable progress has also been made in redeveloping our financial business plan to meet the requirements of our third key strategic objective. Our new plan, to be modified to reflect the business impact of the Covid-19, includes 10 years of prudent and sustainable growth.

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 to improve VfM and publish quarterly performance updates to customers. This leads us on to our fourth set of performance data.

**Asset Performance Evaluation (APE) model**

Our aim is to improve the indicative overall performance of our portfolio by increasing an estimated net present value (NPV) each year. This informs an active strategic approach to dealing with poorer performing assets and longer-term voids through disposal or investment. This ensures that investment or divestment decisions have a positive financial impact on the Group. Proceeds from disposals generate funds to build more properties. The APE annual report focuses attention on poor performing assets and neighbourhoods and enables us to identify and agree strategic interventions. Planned investment and targeted interventions through the neighbourhood planning approach should improve overall performance.

The model takes account of income streams, void levels, repairs and management costs, and future component investment. It also scores neighbourhood metrics such as employment rates and property values. The impact of changing performance in all those areas can be modelled on a property by property basis and reported on using a traffic light system. Those flagged as red or amber are then assessed for an invest or divest decision considering the detailed financial performance and the wider social purpose. This approach has resulted in several void sales over the year releasing funds for further investment.

Our latest APE report looks at data for 2018/19 and tells us that the overall performance of our assets has increased by 3.2% over the previous year, ahead of our target of 1%. This was due to the addition of high performing properties and the disposal of some poorly performing properties. The average indicative value per unit has increased by £490 in this period. Positive influences have included recent investment which reduces the amount required looking forward for the next 30 year period, reduced void loss/ costs and savings originally anticipated to the repairs service. Repairs contract performance will impact in the short-term next year. These areas will continue to be a key focus for value for money improvement, together with the following initiatives:

The Void Appraisal Model (VAM) was developed in the past year and we will seek to refine this during the next 6 months to reflect changes in performance. The main impacts of the model will be to identify specific assets with low NPV and SAP performance when they become void, and within the context of the neighbourhood plan and strategic priorities, either seek to dispose or enhance the energy efficiency of such properties.

In addition we will continue to develop specific strategies for individual neighbourhoods which although may produce amber/low green APE results, suffer significant issues from a housing demand perspective – for example developing a low cost home ownership product in north Liverpool aimed at diversifying tenure and sensitively reducing our overall footprint.

There is an ongoing programme which is remodeling a small number of hard to let properties across the regions to enhance 'lettability', overall NPV performance and increase demand in the long term. This scheme is envisaged to continue as an ongoing programme with up to 15 voids per annum.

A number of long-term voids within the portfolio will also be addressed during the next APE output period, specifically in Merseyside relating to Upper Parliament Street and Alexandra Drive. We will also seek to progress the wider Preston, Queen Street regeneration proposals to consultation and design stage. At present this neighbourhood is one of only four with an overall average negative NPV.

We have commissioned Savills, who developed our original APE model, to assess our strategic approach to asset management in the light of our APE results.

**What the RSH metrics tell us**

The table below compares our performance, using the Regulator of Social Housing's VfM Standard metrics, against a wider selection of peers, summarised as a peer group average, than previously used

| Social Housing Provider | Reinvestment | Headline Social Housing Cost per unit £'000 | New Supply (Social) | New Supply (Non-Social) | EBITDA MRI Interest Rate Cover | Operating Margin (SHL) | Operating Margin (Overall) | Gearing | ROCE |
|---|---|---|---|---|---|---|---|---|---|
| **2018/19:** | | | | | | | | | |
| Lower Quartile | 4.2% | 3.18 | 0.6% | 0.00% | 138.8% | 23.1% | 20.0% | 32.6% | 3.0% |
| Median | 6.2% | 3.69 | 1.4% | 0.00% | 184.2% | 29.2% | 25.8% | 43.4% | 3.8% |
| Upper Quartile | 8.7% | 4.69 | 2.5% | 0.13% | 238.4% | 34.6% | 30.8% | 53.9% | 4.7% |
| Peer Group Average | 6.3% | 3.58 | 1.4% | 0.22% | 171.6% | 26.0% | 22.3% | 44.2% | 3.7% |
| Onward Group | 3.3% | 3.39 | 0.3% | 0.01% | 158.0% | 24.0% | 23.6% | 23.7% | 3.3% |
| **Onward Group 2019/20** | 4.3% | 3.56 | 0.5% | 0.0% | 210.3% | 20.2% | 17.0% | 23.2% | 2.6% |
| **Onward June 2020 Plan** | | | | | | | | | |
| Onward Budget 2020/21 | 5.2% | 3.81 | 0.6% | 0.00% | 267.9% | 18.5% | 19.3% | 22.1% | 2.6% |
| Year 2 | 5.7% | 4.28 | 1.4% | 0.00% | 188.4% | 19.5% | 19.1% | 22.2% | 2.5% |
| Year 3 | 5.2% | 4.15 | 0.8% | 0.20% | 161.1% | 21.3% | 18.6% | 22.2% | 2.4% |
| Year 4 | 6.8% | 4.19 | 1.1% | 0.00% | 221.4% | 24.3% | 23.4% | 23.6% | 3.1% |
| Year 5 | 6.1% | 4.73 | 1.8% | 0.60% | 204.2% | 24.3% | 22.7% | 22.9% | 3.5% |

Top level comparisons show a clear pattern:

- Our level of reinvestment in 2020 at 4.3% was an improvement on last year but still below our peer group average and the pattern is the same for new supply. That has improved to 0.5% from 0.3% but we plan to do more in the future. Our reinvestment can be seen to be much stronger over the next 5 years and stabilises closer to the peer group average and sector median. Our asset strategy planning is informed by comprehensive stock condition data undertaken by Savills, and by effective use of asset performance data. We are confident that our levels of reinvestment are appropriate.
- Headline social cost per unit was typical of our peer group in 2020, but our latest plans sees it increase somewhat. This is driven by increasing staffing costs to improve performance, an increased development and property team to deliver growth and further investment to improve our repairs performance. Over the next few months we will be working with the Board to build efficiencies into the plan once performance improvement has been achieved and embedded.
- Interest cover reduced in 2019 with loan rationalisation costs but has recovered significantly in 2020. Cover is expected to dip over the next two years when significant new development loans of almost £150m are introduced to support our growth plans. Sales performance in years 4 and 5 of our current plan sees it recover again. The relatively low level of debt in Onward leaves us well placed. That low level is also evident in our gearing level which continues to remain at almost half of our peer group level.

- We are currently considering our low operating margin. In our current plan, based on our current cost base, it continues at under the 20% mark over the next 3 years. Although this is currently in the lower quartile indications are that the sector median is falling as compliance catches up across the sector. We are seeking to identify efficiency savings for two reasons. Firstly it is important that once improvement is embedded we evidence that we are as efficient at delivering our services as our peer group, and secondly, lower operating margins may have an impact on our risk profile while seeking further funding for our planned growth. Work with our Board over our latest business plan has identified an appetite to develop an action plan to implement efficiencies in the next iteration of our model to move us closer to the sector median over the next two to five years.

In January 2020, the Board received a more detailed report from HouseMark of our operational performance underlying the financial performance for 2019, comparing our performance to our revised peer group and the sector generally.

Among the key summary findings:

- Our housing management costs, including head count and average pay cost, in 2019 had fallen significantly from 2018 to the 2019 sector median level. This trend has reversed in 2020 as resources were added to improve performance and that trend continues in our latest plan. We will develop a mitigation plan.
- The application of that resource in 2019 meant that void loss, properties vacant and average re-let times were our best performing areas placing us in the top two quartiles. In 2020 this performance has slipped considerably during mobilisation of the new repair contracts and the resolution of long term supported voids. We have increased our resource to turn this around.
- Our current arrears performance in 2019 was quartile 4. Our investment in the Rent Sense software has started to help turn this around in 2020. We anticipate a considerable downturn in performance during and after the Covid-19 emergency, but we have the tools and resources to recover performance over the medium term.

Board has approved the suite of key performance indicators or 2020/21 by which we will hold ourselves to account firstly for improvement in customer satisfaction and secondly improvement in our RSH metrics as a measure of our improving efficiency.

**Looking forward at our key priorities for 2020/21**

Last year we stated that 2019-20 would be a year of delivery, particularly in customer service improvements. Our performance, and the impact evidenced from our customer satisfaction survey, from our operational indicators, and from our sector scorecard position, tells us that a period of embedment and service improvement is required. For this reason our corporate projects will continue to focus on:

- Modernisation – improving access to all systems to improve customer service, improving workplaces and continuing our office rationalisation plan.
- Compliance – continuing to embed delivery of major programmes e.g. fire risk assessment 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 continues to be on sheltered and supported, and a detailed focus on the Queens Street estate in Preston.
- Development and regeneration – building more homes and developing plans to regenerate key areas.
- A cost base review to deliver operating margin improvements in a planned two to five year timeframe.

We are acutely aware that the Covid-19 emergency will have a significant impact on our short and medium-term plans. Our initial stress testing, based on significant reductions in rent and service charge income and the management of the timing of investment programmes, assures us that our three key objectives remain relevant and targeted improvements can be delivered - but the timing of many projects and initiatives to help deliver this improvement must now be reconsidered as supporting our customers varying needs at this time becomes the top priority.

## Strategic report

The strategic report including the operating and financial review was approved by the Board on 16 September 2020 and signed on its behalf by:

**Victoria Parr**
Deputy 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 2020.

### 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 directors' 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 group, and regional health and safety forums. 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 £nil in the year (2019: £10,000). No political donations were made during the year.

## 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. There is a diversity strategy in place which aims to achieve an inclusive culture that respects and values differences and eliminates discrimination in all areas.

## Corporate social responsibility

Onward's business is by its very nature socially responsible as it provides homes and amenities for people who are vulnerable, living in poverty and have limited choices. The Board are committed to being a socially responsible organisation in all of its activities 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.

## Board members' responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2019 have been followed, subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business

The Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the association's transactions and disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that the 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 2019. They are also responsible for safeguarding the assets of the [group and] association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2019.

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

## 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 2020. 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 2019-20 at its meeting in June 2020.

## Going concern

The Group's business activities, its current financial position (net assets of £388m) and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities of £341m (2019: £349m), of which £39m is undrawn (2019: £50m) and cash and cash equivalents of £52.3m (2019: £46.9m) which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Senior Management and Board have been reviewing financial plans to ensure the Group can remain a going concern. The Group has modelled a number of scenarios based on current estimates of rent collection, property sales and maintenance expenditure. A reduction of over 50% of rent collection from self-paying residents has been modelled, with a return to pre-crisis levels only by April 2021, coupled with a delay in major expenditure of three months and some cost increases during the catch up period in late 2020. The Group has sufficient cash and undrawn facilities to cope with this impact.

The length of the COVID-19 outbreak and the long-term impact of the government's response are unknown and outside of our control but we have put in place processes to manage cashflow on a weekly basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities of £39m the Board believes that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

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

## DIRECTORS' REPORT

### Independent auditors

BDO LLP were appointed as auditors in the year. A resolution to appoint the Group's auditor will be proposed at a forthcoming Board Meeting.  BDO LLP have indicated their willingness to continue in office should a resolution concerning their reappointment be agreed by the Board.

The Directors' Report, including the financial statements, was approved by the Board on 16 September 2020 and signed on its behalf by:

**Victoria Parr**

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

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2020 and of the Group's and the Association's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

### Basis for opinion

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

### Conclusions relating to going concern

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

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

### Other information

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

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

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and the Report of the Board for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Report of the Board have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the Parent Association and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Report of the Board.

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

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

**Responsibilities of the board**

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

In preparing the financial statements, the board are responsible for assessing the 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 the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

# INDEPENDENT AUDITOR'S REPORT

**Use of our report**

This report is made solely to the members of the Association, as a body, in accordance with in accordance with the Housing and Regeneration Act 2008 and Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

**Hamid Ghafoor (Senior Statutory Auditor)**
For and on behalf of BDO LLP, statutory auditor
Manchester

Date

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

## Statement of Comprehensive Income
for the year ended 31 March 2020

| | Notes | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|---|
| **Turnover** | 3 | **155,764** | 146,811 | **7,996** | 42,832 |
| Cost of sales | 3 | **(4,969)** | (1,097) | **-** | - |
| Operating costs | 3 | **(124,113)** | (111,041) | **(7,961)** | (41,605) |
| Gain on disposal of housing properties | 3 and 6 | **3,001** | 2,823 | **-** | - |
| **Operating surplus** | 7 | **29,683** | 37,496 | **35** | 1,227 |
| Share of operating loss in joint venture | 16 | **(38)** | - | **-** | - |
| (Loss) on disposal of other tangible fixed assets | 10 | **(548)** | (964) | **-** | - |
| Interest receivable and similar income | 11 | **2,732** | 2,962 | **3** | 453 |
| Interest payable and similar charges | 12 | **(14,665)** | (24,274) | **-** | (577) |
| **Surplus on ordinary activities before taxation** | | **17,164** | 15,220 | **38** | 1,103 |
| Taxation on surplus on ordinary activities | 13 | **(187)** | 70 | **(279)** | - |
| **Surplus for the year after taxation** | | **16,977** | 15,290 | **(241)** | 1,103 |
| **Other comprehensive income/(loss)** | | | | | |
| Initial recognition of multi-employer defined benefit pension scheme | 39 | **-** | (11,331) | **-** | (4,121) |
| Actuarial gain/(loss) in respect of pension schemes | 39 | **18,747** | (7,881) | **-** | 291 |
| **Other comprehensive income/(loss) for the year** | | **18,747** | (19,212) | **-** | (3,830) |
| **Total comprehensive income/(loss) for the year** | | **35,724** | (3,922) | **(241)** | (2,727) |

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.

highThe financial statements were approved by the Board on 16 September 2020 and signed on its behalf by:

Wyn Dignan
Non-executive Director

Bronwen Rapley
Chief Executive

Victoria Parr
Deputy Company Secretary

# FINANCIAL STATEMENTS

## Group Statement of Changes in Equity

| | Notes | Non-equity share capital £'000 | Revenue reserves £'000 | Total reserves £'000 |
|---|---|---|---|---|
| Balance as at 31 March 2018 as previously reported | | - | 366,308 | **366,308** |
| Prior year adjustment | | - | (9,608) | **(9,608)** |
| Balance as at 31st March restated | | - | 356,700 | **356,700** |
| **Total comprehensive income for the period** | | | | |
| Surplus for the year | | - | 15,290 | **15,290** |
| Other comprehensive income | | | | |
| - Actuarial loss on pension scheme | | - | (7,881) | **(7,881)** |
| - Initial recognition of multi-employer defined benefit pension scheme | | - | (11,331) | **(11,331)** |
| Balance at 31 March 2019 | | - | 352,778 | **352,778** |
| **Total comprehensive income for the period** | | | | |
| Surplus for the year | | - | 16,977 | **16,977** |
| Other comprehensive income | | - | - | **-** |
| - Actuarial gain on pension scheme | | - | 18,747 | **18,747** |
| **Balance at 31 March 2020** | | - | 388,502 | **388,502** |

The accompanying notes form part of these financial statements.

# FINANCIAL STATEMENTS

## Statement of Financial Position

as at 31 March 2020

| | Notes | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|---|
| Intangible assets and goodwill | 14 | **-** | 79 | **-** | - |
| **Tangible fixed assets** | | | | | |
| Housing properties | 15 | **1,072,317** | 1,059,946 | **-** | - |
| Investments including properties | 16 | **15,939** | 16,219 | **-** | - |
| Other tangible fixed assets | 17 | **17,988** | 17,546 | **820** | 851 |
| | | **1,106,244** | 1,093,790 | **820** | 851 |
| Debtors due after one year | 18 | **1,948** | 3,309 | **-** | - |
| | | **1,108,192** | 1,097,099 | **820** | 851 |
| **Current assets** | | | | | |
| Properties for sale and work in progress | 19 | **20,190** | 7,180 | **-** | - |
| Debtors due within one year | 20 | **12,816** | 11,700 | **10,604** | 13,002 |
| Investments | 21 | **50** | 1,523 | **-** | - |
| Cash and cash equivalents | | **52,805** | 46,892 | **735** | 4,372 |
| | | **85,861** | 67,295 | **11,339** | 17,374 |
| Creditors: amounts falling due within one year | 22 | **(73,583)** | (39,954) | **(13,433)** | (19,247) |
| **Net current assets/(liabilities)** | | **12,278** | 27,341 | **(2,094)** | (1,873) |
| **Total assets less current liabilities** | | **1,120,470** | 1,124,440 | **(1,274)** | (1,022) |
| Creditors: amounts falling due after one year | 23 | **(717,073)** | (735,161) | **(833)** | (860) |
| Provisions for liabilities and charges | 30 | **(1,289)** | (1,367) | **(283)** | (267) |
| Pension liabilities | 31 | **(13,606)** | (35,134) | **-** | - |
| | | **(731,968)** | (771,662) | **(1,116)** | (1,127) |
| **Total net assets/(liabilities)** | | **388,502** | 352,778 | **(2,390)** | (2,149) |
| **Capital and reserves** | | | | | |
| Non-equity share capital | 32 | **-** | - | **-** | - |
| Revenue reserves | **-** | **388,502** | 352,778 | **(2,390)** | (2,149) |
| **Total capital and reserves** | | **388,502** | 352,778 | **(2,390)** | (2,149) |

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 16 September 2020 and signed on its behalf by:

Wyn Dignan
Non-executive Director

Bronwen Rapley
Chief Executive

Victoria Parr
Deputy Company Secretary

## Group Statement of Cash Flows

for the year ended 31 March 2020

| | Notes | 2020 £'000 | 2019 £'000 |
|---|---|---|---|
| **Net cash generated from operating activities** | 37 | **35,720** | 46,694 |
| | | | |
| **Cash flow from investing activities** | | | |
| Purchase and construction of tangible fixed assets | | **(43,513)** | (30,087) |
| Additions to investment properties | | **-** | (794) |
| Purchase of other tangible fixed assets | 17 | **(1,716)** | (1,948) |
| Proceeds from sale of tangible fixed assets | | **13,047** | 10,541 |
| Grants received | | **10,657** | 8,583 |
| Loan to Joint Venture Activity | | **(533)** | (506) |
| Interest received | | **155** | 467 |
| **Net cash from investing activities** | | **(21,903)** | (13,744) |
| | | | |
| **Cash flow from financing activities** | | | |
| Interest paid | | **(11,926)** | (21,296) |
| New loans | | **20,298** | - |
| Repayment of existing borrowing | | **(17,749)** | (96,160) |
| Movement in cash deposits and investments | | **1,473** | 83,764 |
| **Net cash from financing activities** | | **(29,807)** | (33,692) |
| | | | |
| **Net change in cash and cash equivalents** | | **5,913** | **(742)** |

**Reconciliation of cashflow and cash equivalents**

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Cash and cash equivalents at start of year** | **46,892** | 47,634 |
| Increase/(decrease) in cash in the year | **5,913** | (742) |
| **Cash and cash equivalents at end of year** | **52,805** | 46,892 |

## Analysis of changes in net debt
for the year ended 31 March 2020

| | At 1 April 2019<br>£'000 | Cash flows<br>£'000 | Other non cash changes<br>£'000 | At 31 March 2020<br>£'000 |
|---|---|---|---|---|
| **Cash and cash equivalents** | | | | |
| Cash | 46,892 | 5,913 | - | 52,805 |
| Overdrafts | - | - | - | - |
| Cash equivalents | - | - | - | - |
| | **46,892** | **5,913** | **-** | **52,805** |
| **Borrowing** | | | | |
| Debt due within one year | (9,024) | (20,298) | - | (29,322) |
| Debt due after one year | (289,288) | 17,749 | - | (271,539) |
| | **(298,312)** | **(2,549)** | **-** | **(300,861)** |
| **Total** | **(251,420)** | **3,364** | **-** | **(248,056)** |

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 | 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 financial statements are presented in sterling (£) and 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.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Onward Group Limited as at 31 March 2020.

### b) Measurement convention

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

## 2. Accounting policies (cont'd)

### c) Going concern

The Group's business activities, its current financial position (net assets of £388m) and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long-term debt facilities of £341m (2019: £349m), of which £39m is undrawn (2019: £50m) and cash and cash equivalents of £52.3m (2019: £46.9m) which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

However, the impact of the COVID-19 outbreak and its financial effect has meant that the Senior Management and Board have been reviewing financial plans to ensure the Group can remain a going concern. The Group has modelled a number of scenarios based on current estimates of rent collection, property sales and maintenance expenditure. A reduction of over 50% of rent collection from self-paying residents has been modelled, with a return to pre-crisis levels only by April 2021, coupled with a delay in major expenditure of three months and some cost increases during the catch up period in late 2020. The Group has sufficient cash and undrawn facilities to cope with this impact.

The length of the COVID-19 outbreak and the long-term impact of the government's response are unknown and outside of our control but we have put in place processes to manage cashflow on a weekly basis and review financial stability as matters progress.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities of £39m the Board believes that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Group's ability to continue as a going concern. The Board, therefore, consider it appropriate for the accounts to be prepared on a going concern basis.

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

### 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.

**Establishing the useful economic lives ("UEL") of components:** the UEL of each component of our social benefit housing properties 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 UELs remaining terms and component splits are applied consistently. The professional opinion of the Assets team is sought based on their knowledge and experience. We do not believe that the UELs for the components need changing and therefore remain the same.

**Establishing the useful economic lives ("UEL") of other fixed assets:** As with components, the UELs are estimated based on sector norm and actual performance. We do not believe that the UELs for the components need changing and therefore remain the same.

## 2. Accounting policies (cont'd)

**Investment property valuations:** The Group reviews its properties classification and where properties do not meet the criteria for social benefit these have been identified and classed as investment properties. These non-financial assets have been valued at fair value.

The valuation is based on either third part valuation reports or an update to those reported 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.

With the outbreak of COVID-19 the valuers are able to attach less weight to previous market evidence for comparison purposes, to inform opinions on value. For this reason the valuations are reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution.

**Impairment:** In line with the impairment policy the Group undertakes a review of its assets taking into account void levels, strategic reviews of certain asset types and development programme to ascertain if any impairment is required. Full analysis and rationale will be provided to support any impairment decision, where appropriate.

This year, as a result of COVID-19, additional considerations are required to assess whether impairment triggers are evident and if so, ascertain the level of impairment required based on best available information.

Areas of particular focus have been:

- Assets under construction, including Section 106 purchases
- Completed development schemes
- Assets or groups of assets being considered under strategic reviews, such as sheltered schemes, geographical areas identified as needed operational change
- Void analysis of units which shows high voids and/or hard to let units
- De-conversions where strategic decisions have been made to reclassify units to improve ability to let

**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.

**Defined benefit obligations:** 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 as reasonable.

**Leases;** Categorising leases into finance leases or operating leases requires judgement. Management assess whether significant risk and rewards of ownership have transferred to the Group as lessor before determining categorisation. Management will assess each lease to determine where risk lies and report on this accordingly in the accounts.

**Bad debt**: A bad debt provision is held in the accounts to counter the risk of failure to recover current and former tenants rent and service charge arrears. A judgement is made whether it is likely that a debt will be recovered, despite actions by the neighbourhood teams. Therefore, based on previous practice and knowledge of debt recovery a provision is estimated.

**Joint venture investment:** the following investments are held in joint ventures (JVs);

- Atrium City Living Limited has an investment in the Greater Manchester JV; Hive Homes (£3.2m), It is part of 10 other investors and therefore the accounting will be as a minority shareholder
- Atrium City Living Limited has an investment in the Goosnargh JV. (£7.8m). There are only two investors and it is a 50/50 risk/reward relationship

Onward will account for these JVs in accordance to the accounting standards applicable to ensure appropriate disclosures.

## 2. Accounting policies (cont'd)

### e) Basic financial instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. These include bank loans.

Onward Group does not have any financial instruments which fall into the non basic financial instrument category.

**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, 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 and covers rent charged upto and including 31 March. Proceeds on sales are recognised on practical completions. Other income is recognised as receivable on the delivery of services provided.

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.

## 2. Accounting policies (cont'd)

### 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

The Group comprises charitable and non-charitable entities. Where activities may fall within the scope of the relevant tax regulations and may be subject to tax liability the entity provides for this where appropriate on the basis of amounts expected to be paid to the tax authorities.

The tax charge for the year is based on the profit for the year end and includes current tax on any taxable profits for the year and deferred taxation. Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

### 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. Therefore, the financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

### 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 split between current assets and fixed assets based on percentage of equity retained, less any provisions needed for impairment or depreciation. The first tranche proportion is classified as current asset and related sales proceeds included in turnover. The remaining element is classified as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

**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 |

## 2. Accounting policies (cont'd)

| | |
|---|---|
| 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 the Recycled Capital Grant Fund (RCGF) until the grant is recycled or repaid to reflect the existing obligation under the social housing grant funding regime.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure. Upon disposal of the associated property, the group is required to recycle these proceeds and recognise them as a liability.

### 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.

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

## 2. Accounting policies (cont'd)

### o) Investments in subsidiaries

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) Investment in joint ventures

Investments in joint ventures are stated at cost less any accumulated impairment losses.

Any distributions received from the investment will be recognised as income without regard to whether the distributions are from accumulated profits of the jointly controlled entity arising before or after the date of acquisition.

### q) Properties held for sale and work in progress

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and estimated selling price less cost to complete and sell. Cost comprises materials, direct labour and direct development overheads. Estimated sales price is stated after allowing for all further costs of completion and disposal.

### r) Impairment of housing properties

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.

### s) 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.

## 2. Accounting policies (cont'd)

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.

### t) Intangible assets

Intangible assets relate to the initial procurement of new software to support business transactions and processing. 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 |

### u) 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 |

### v) 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 |

### w) 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Accounting policies (cont'd)

### x) 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.

The Group provides for public liability claims based on known cases and is measured at estimated cost of claim. It also provides for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The liability is measured at actual salary costs payable for the period.

### y) 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 (update per actuarial reports)**

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

For accounting purposes, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

## 2. Accounting policies (cont'd)

**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 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2019 | | | |
| | **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 | **106,786** | **-** | **(85,570)** | **21,216** | 102,131 | - | (77,462) | 24,669 |
| Older persons housing | **19,165** | **-** | **(14,681)** | **4,484** | 20,026 | - | (15,355) | 4,671 |
| Supported housing | **14,767** | **-** | **(11,185)** | **3,582** | 14,097 | - | (10,457) | 3,640 |
| Low cost home ownership | **3,002** | **(120)** | **(3,066)** | **(184)** | 3,330 | - | (2,812) | 518 |
| **Total** | **143,720** | **(120)** | **(114,502)** | **29,098** | 139,584 | - | (106,086) | 33,498 |
| **Other social housing activities** | | | | | | | | |
| Regeneration and development | **343** | **(2)** | **(2,245)** | **(1,904)** | 15 | - | (1,357) | (1,342) |
| Management services | **1,988** | **-** | **(40)** | **1,948** | 1,216 | - | (18) | 1,198 |
| Estate services | **-** | **-** | **(968)** | **(968)** | - | - | (844) | (844) |
| Shared Ownership first tranche sales | **5,268** | **(4,835)** | **-** | **433** | 1,691 | (1,097) | - | 594 |
| Other | **-** | **-** | **(158)** | **(158)** | 248 | - | (108) | 140 |
| **Total** | **7,599** | **(4,837)** | **(3,411)** | **(649)** | 3,170 | (1,097) | (2,327) | (254) |
| **Total social housing activities** | **151,319** | **(4,957)** | **(117,913)** | **28,449** | 142,754 | (1,097) | (108,413) | 33,244 |
| **Non-social housing activities** | | | | | | | | |
| Market rents | **687** | **(12)** | **(74)** | **601** | 497 | - | (134) | 363 |
| Revaluation of investment properties | **-** | **-** | **(278)** | **(278)** | 114 | - | (21) | 93 |
| Commercial | **902** | **-** | **(1,121)** | **(219)** | 693 | - | (1,065) | (372) |
| Management services | **1,714** | **-** | **(1,474)** | **240** | 957 | - | (1,015) | (58) |
| Leaseholders | **861** | **-** | **(2,198)** | **(1,337)** | 191 | - | (88) | 103 |
| Other | **281** | **-** | **(1,055)** | **(774)** | 1,605 | - | (305) | 1,300 |
| **Total non-social housing activities** | **4,445** | **(12)** | **(6,200)** | **(1,767)** | 4,057 | - | (2,628) | 1,429 |
| **Total** | **155,764** | **(4,969)** | **(124,113)** | **26,682** | 146,811 | (1,097) | (111,041) | 34,673 |
| **Surplus on disposal of housing properties (note 6)** | **-** | **-** | **-** | **3,001** | **-** | **-** | **-** | **2,823** |
| **Total** | **155,764** | **(4,969)** | **(124,113)** | **29,683** | 146,811 | (1,097) | (111,041) | 37,496 |

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

| | Association | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2020 | | | | 2019 | | | |
| | 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 | 7,837 | - | (7,186) | 651 | 33,194 | - | (41,605) | (8,411) |
| SHPS pension on business combination | - | - | - | - | 9,638 | - | - | 9,638 |
| Other | 159 | - | (775) | (616) | - | - | - | - |
| **Total non-social housing activities** | 7,996 | - | (7,961) | 35 | 42,832 | - | (41,605) | 1,227 |
| | | | | | | | | |
| **Total** | 7,996 | - | (7,961) | 35 | 42,832 | - | (41,605) | 1,227 |

### Association

Up to 31 March 2019 the salaries were paid through the Group and recharged to relevant entities through the group recharge process. This process changed during 2019/20 and all salaries went through Onward Homes Limited ("OHL") and recharged across entities as appropriate. This accounts for the drop in turnover and operating costs from prior years.

Also, in prior year, there was an pensions adjustment which was made to reflect the unwinding of the pensions costs between Group and OHL (£9,638,000). This was treated as income in Group and as operating costs in OHL. This was a one off adjustment to reflect the change in pension responsibilities from Group to OHL.

## 4. Income and expenditure from social housing lettings

| | Group General needs accommodation £'000 | Older persons housing £'000 | Supported housing £'000 | Low cost home ownership £'000 | Total 2020 £'000 | Total 2019 £'000 |
|---|---|---|---|---|---|---|
| **Income** | | | | | | |
| Rents receivable net of voids | **96,278** | **14,223** | **9,077** | **1,995** | **121,573** | 120,508 |
| Service charge income | **4,488** | **4,077** | **4,560** | **604** | **13,729** | 13,008 |
| Amortised government grants | **5,956** | **756** | **725** | **365** | **7,802** | 5,323 |
| Supporting people grants | **5** | **29** | **402** | **1** | **437** | 531 |
| Revenue grants | **-** | **-** | **-** | **-** | **-** | 87 |
| Other income from social housing | **59** | **80** | **3** | **37** | **179** | 127 |
| **Turnover from social housing lettings** | **106,786** | **19,165** | **14,767** | **3,002** | **143,720** | 139,584 |
| **Expenditure** | | | | | | |
| Management | **(22,976)** | **(4,161)** | **(3,311)** | **(1,583)** | **(32,031)** | (23,071) |
| Service charge costs | **(5,474)** | **(4,044)** | **(2,532)** | **(248)** | **(12,298)** | (14,255) |
| Routine maintenance | **(19,868)** | **(2,456)** | **(2,081)** | **(255)** | **(24,660)** | (28,471) |
| Planned maintenance | **(16,196)** | **(1,995)** | **(1,236)** | **(322)** | **(19,749)** | (17,932) |
| Major repairs expenditure | **(480)** | **(124)** | **(108)** | **(15)** | **(727)** | (142) |
| Rent losses from bad debts | **(2,298)** | **(135)** | **(104)** | **97** | **(2,440)** | (1,429) |
| Depreciation of housing properties | **(20,091)** | **(1,766)** | **(1,811)** | **(651)** | **(24,319)** | (19,744) |
| Reversal of housing impairment charge (note 14) | **1,869** | **-** | **-** | **-** | **1,869** | - |
| Other costs | **(56)** | **-** | **(2)** | **(209)** | **(267)** | (1,042) |
| Total expenditure on lettings | **(85,570)** | **(14,681)** | **(11,185)** | **(3,186)** | **(114,622)** | (106,086) |
| **Operating surplus on letting activities** | **21,216** | **4,484** | **4,582** | **(184)** | **29,098** | 33,498 |
| **Void losses** | **(1,028)** | **(198)** | **(989)** | **(20)** | **(2,235)** | (2,245) |

## 5. Accommodation owned, managed and under development

| | Group 2020 Number | Group 2019 Number |
|---|---|---|
| **The number of properties in ownership at the year-end were:** | | |
| General needs accommodation (social rent) | **20,328** | 20,451 |
| General needs accommodation (affordable rent) | **1,721** | 1,724 |
| Older persons housing | **3,869** | 3,803 |
| Supported housing | **1,860** | 1,732 |
| Low-cost home ownership | **919** | 881 |
| | **28,697** | 28,582 |
| **The number of properties in ownership but managed by others at the year-end were:** | | |
| General let accommodation (social rent) | **108** | 115 |
| General let accommodation (affordable rent) | **22** | 22 |
| Older persons housing | **-** | 5 |
| Supported housing | **202** | 216 |
| Low-cost home ownership | **55** | 39 |
| **Total homes owned** | **29,084** | 28,979 |
| Accommodation managed by other bodies | **(387)** | (221) |
| Accommodation managed for other bodies / owner occupiers | **989** | 772 |
| Leasehold | **5,252** | 5,100 |
| **Total homes managed** | **34,938** | 34,630 |
| **Non-social housing in ownership and management at the year-end:** | | |
| Market rent | **156** | 156 |
| | **156** | 156 |
| **The number of properties under development at the year-end were:** | | |
| General needs accommodation | **247** | 128 |
| Rent to buy home ownership | **15** | - |
| Supported housing | **48** | 48 |
| Low-cost home ownership | **124** | 149 |
| | **434** | 325 |

## 6. Disposal of housing properties

| | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| Disposal proceeds from property sales | **6,436** | 5,573 |
| Carrying value of fixed assets from property sales | **(3,018)** | (2,528) |
| Costs on disposal | **(417)** | (222) |
| **Gain on disposal of housing properties** | **3,001** | 2,823 |

| | 2020 | 2019 |
|---|---|---|
| **Analysis of housing property sales** | | |
| Preserved Right to Buy sales | **32** | 35 |
| Right to Acquire sales | **24** | 18 |
| Shared ownership staircasing | **42** | 29 |
| Other sales | **5** | 10 |
| | **103** | 92 |

## 7. Operating surplus

| Operating surplus is stated after charging: | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Depreciation of housing properties (note 15) | **21,634** | 19,744 | **-** | - |
| Depreciation of other fixed assets (note 17) | **726** | 740 | **31** | 30 |
| Amortisation of intangible assets (note 14) | **79** | 37 | **-** | - |
| Impairment of housing properties (note 15) | **56** | - | **-** | - |
| (Surplus) on disposal of housing properties (note 6) | **(3,001)** | (2,823) | **-** | - |
| Deficit on disposal of other tangible fixed assets (note 10) | **548** | 964 | **-** | - |
| Amortisation of government grant (note 25) | **(7,866)** | (6,280) | **(30)** | (18) |
| Revaluation of investment properties (note 16) | **(278)** | (93) | **-** | - |
| Pension adjustments | **(3,213)** | (2,551) | **-** | (643) |
| Auditor's remuneration (excluding VAT): | | | | |
| In their capacity as auditor | **94** | 125 | **94** | 125 |
| In their capacity as auditor from prior year | **-** | 36 | **-** | 36 |
| In respect of other services | **-** | 261 | **-** | 261 |
| Operating lease receipts (note 29) | **(541)** | (472) | **-** | - |
| Operating lease payments (note 29) | **480** | 232 | **-** | - |

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

| | Group | |
|---|---|---|
| The directors including executive directors are as listed on page 2. | **2020 £'000** | 2019 £'000 |
| The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors | **135** | 129 |
| The aggregate emoluments paid to or receivable by executive directors and former executive directors (including pension contributions and benefits in kind) | **736** | 769 |
| The aggregate amount of pension contributions in respect of services as directors | **85** | 50 |
| 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 |
| The emoluments paid to the highest paid director (excluding pension contributions but including benefits in kind) | **215** | 297 |
| Pension contributions for the highest paid director | **19** | 14 |

The Chief Executive is the highest paid member of the Executive Team and is paid through Onward Homes Limited. Her total emoluments including employer pension contributions equated to £209k (2019: £201k) made up as salary £190k (2019: £183k) and pension £19k (2019: £18k).

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 | |
|---|---|---|
| | **2020 £'000** | 2019 £'000 |
| R Barber | **16** | **7** |
| W Dignan | **16** | **16** |
| B Dutton | **-** | **9** |
| N Goodwin | **33** | **33** |
| W Hewish | **16** | **7** |
| P High | **16** | **16** |
| B Roebuck | **19** | **19** |
| M Verrier | **19** | **19** |
| C Wallace | **-** | **4** |

## 9. Employee information

| | Group | | Association | |
|---|---|---|---|---|
| | **2020 Number** | 2019 Number | **2020 Number** | 2019 Number |
| Average number of employees (including executive directors) expressed as full time equivalents (based on an average of 35 hours per week) | **840** | 771 | - | 405 |

| | Group | | Association | |
|---|---|---|---|---|
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| Staff costs (for the above persons) | | | | |
| Wages and salaries | **26,365** | 23,457 | **-** | 13,458 |
| Social security costs | **2,571** | 2,256 | **-** | 1,355 |
| Other pension costs | **2,456** | 1,127 | **-** | 648 |
| Defined benefit scheme pension adjustments | **-** | 2,685 | **-** | 8,923 |
| Severance payments | **284** | 2,239 | **-** | 1,264 |
| | **31,676** | 31,764 | **-** | 25,648 |

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 | **2020 £'000** | 2019 £'000 |
| £60,000 and £69,999 | **16** | 12 |
| £70,000 and £79,999 | **10** | 7 |
| £80,000 and £89,999 | **6** | 5 |
| £90,000 and £99,999 | **5** | 5 |
| £100,000 and £109,999 | **4** | 1 |
| £110,000 and £119,999 | **-** | 1 |
| £120,000 and £129,999 | **2** | 1 |
| £130,000 and £139,999 | **-** | 1 |
| £140,000 and £149,999 | **-** | - |
| £150,000 and £159,999 | **1** | 1 |
| £160,000 and £169,999 | **-** | 1 |
| £170,000 and £179,999 | **1** | - |
| £180,000 and £189,999 | **1** | - |
| £200,000 and £209,999 | **1** | 1 |
| £210,000 and £219,999 | **-** | - |
| £270,000 and £279,999 | | 1 |

## 10. Disposal of other tangible fixed assets

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Disposal proceeds from other fixed assets | **-** | - | **-** | - |
| Carrying value of other fixed assets | **(548)** | (964) | **-** | - |
| **(Loss)/gain on disposal of other fixed assets** | **(548)** | (964) | **-** | - |

## 11. Interest receivable and similar income

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Bank and building society interest | **434** | 467 | **3** | 5 |
| Interest income on net defined benefit plan assets (note 39) | **2,240** | 2,495 | **-** | 448 |
| Joint venture loan interest | **28** | - | **-** | - |
| Other interest and dividends | **30** | - | **-** | - |
| | **2,732** | 2,962 | **3** | 453 |

## 12. Interest payable and similar charges

| | Group | | Association | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Interest payable on bank and building society loans | **8,850** | 10,192 | **-** | - |
| Interest payable on other loans | **2,329** | 2,551 | **-** | - |
| Mark to market interest payments | **-** | 6,536 | **-** | - |
| Amortised loan arrangement fees | **418** | 1,362 | **-** | - |
| Loan administration fees | **27** | 264 | **-** | - |
| Loan security costs | **89** | 231 | **-** | - |
| Non utilisation fees | **214** | 158 | **-** | - |
| Interest expense on net defined benefit liabilities (note 39) | **3,037** | 3,214 | **-** | 577 |
| Interest on Recycled Capital Grant Fund and Disposal Proceeds Fund | **-** | 2 | **-** | - |
| | | 24,510 | **-** | 577 |
| Capitalised interest | **(299)** | (236) | **-** | - |
| | **14,665** | 24,274 | **-** | 577 |

Interest has been capitalised at 3.2% (2019: 3.3%) per annum, the average cost of borrowing, or is based on a specific loan facility used to fund the development.

## 13. Taxation

| | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| **UK corporation tax** | | | | |
| Current tax charge for the year | **72** | - | **72** | - |
| Adjustment in respect of previous years | **207** | (112) | **207** | - |
| | **279** | (112) | **279** | - |
| **Deferred tax** | | | | |
| Origination and reversal of timing differences | **(90)** | 42 | **-** | - |
| Adjustments in respect of previous years | **-** | - | **-** | - |
| Effect of tax change on opening balance | **(2)** | - | **-** | - |
| | **(92)** | 42 | **-** | - |
| **Total tax on surplus on ordinary activities** | **187** | (70) | **279** | - |

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% (2019: 19%). The differences are explained below:

| | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Surplus on ordinary activities before taxation | **17,164** | 15,220 | **38** | - |
| Current tax at standard corporation tax rate | **3,261** | 2,892 | **7** | - |
| Effects of tax free income due to charitable activities | **(3,591)** | (2,838) | **-** | - |
| Fixed asset differences | **(13)** | - | **-** | - |
| Expenses not deductible for tax purposes | **60** | (58) | **65** | - |
| Group relief surrender / claim for no payment | **-** | - | **-** | - |
| Income not taxable for tax purposes | **-** | - | **-** | - |
| Adjustments in respect of prior periods | **207** | (112) | **207** | - |
| Loss carry back | **-** | 4 | **-** | - |
| Tax rate differences on deferred tax | **1** | - | **-** | - |
| Deferred tax not recognised | **256** | 42 | **-** | - |
| JV income not taxable | **7** | - | **-** | - |
| **Total tax charge on surplus on ordinary activities** | **188** | (70) | **279** | - |

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 2020 have been calculated based on the rate of 19% substantively enacted at this year-end date.

## 13. Taxation (cont'd)

**Deferred taxation**

The movement in the year is as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| Net tax (asset)/liability at start of the year | **(15)** | (57) | **-** | - |
| Difference between accumulated depreciation and capital allowances | **-** | (10) | **-** | - |
| Fixed asset timing differences | **(26)** | - | **-** | - |
| Unused tax losses | **(65)** | (5) | **-** | - |
| Other short-term timing differences | **(1)** | 57 | **-** | - |
| **Net tax (asset)/liability at end of the year** | **(107)** | (15) | **-** | - |

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £319,000 (2019: £ 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 2019 | **943** | **943** |
| Additions | **-** | **-** |
| Disposals | **-** | **-** |
| **At 31 March 2020** | **943** | **943** |
| | | |
| **Amortisation and impairment** | | |
| At 1 April 2019 | **(864)** | **(864)** |
| Reclassification | **-** | **-** |
| Amortisation for the year | **(79)** | **(79)** |
| Impairment charge | **-** | **-** |
| **At 31 March 2020** | **(943)** | **(943)** |
| | | |
| **Net book value** | | |
| At 1 April 2019 | **79** | **79** |
| **At 31 March 2020** | **-** | - |

## 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 2019 | 1,245,541 | 20,478 | 42,603 | 2,173 | 1,049 | 1,311,844 |
| Additions | 12,370 | 19,509 | - | 14,902 | - | 46,781 |
| Capitalised interest | - | 162 | - | 137 | - | 299 |
| Disposals | (10,054) | - | (571) | (2,920) | - | (13,545) |
| Transfer from/(to) stock | (136) | - | - | (3,830) | - | (3,966) |
| Transfer to abortive works | - | 2 | - | (59) | - | (57) |
| Transfer on completion | 13,366 | (13,366) | 4,746 | (4,746) | - | - |
| Write-offs in year | (1,263) | (88) | - | - | - | (1,351) |
| Reclassifications | 3,146 | (5,430) | - | 3,333 | (1,049) | - |
| **At 31 March 2020** | **1,262,970** | **21,267** | **46,778** | **8,990** | **-** | **1,340,005** |
| **Depreciation** | | | | | | |
| At 1 April 2019 | (241,167) | - | (8,648) | - | (214) | (250,029) |
| Charge for the year | (21,314) | - | (320) | - | - | (21,634) |
| Disposals | 3,826 | - | 45 | - | - | 3,871 |
| Transfers from/(to) stock | 44 | - | - | - | - | 44 |
| Write-offs in year | 116 | - | - | - | - | 116 |
| Reclassifications | (214) | - | - | - | 214 | - |
| **At 31 March 2020** | **(258,709)** | **-** | **(8,923)** | **-** | **-** | **(267,632)** |
| **Impairment** | | | | | | |
| At 1 April 2019 | (1,869) | - | - | - | - | (1,869) |
| Reversal of impairment (note 36) | 1,869 | - | - | - | - | 1,869 |
| Charge for the year | (56) | - | - | - | - | (56) |
| **At 31 March 2020** | (56) | - | - | - | - | (56) |
| **Net Book Value** | | | | | | |
| At 1 April 2019 | 1,002,505 | 20,478 | 33,955 | 2,173 | 835 | 1,059,946 |
| **At 31 March 2020** | **1,004,205** | **21,267** | **37,855** | **8,990** | **-** | **1,072,317** |

| | Group | |
|---|---|---|
| | **2020 £'000** | 2019 £'000 |
| Freehold | **875,958** | 984,751 |
| Long-leasehold | **196,359** | 75,195 |
| **At 31 March 2020** | **1,072,317** | 1,059,946 |

Additions to housing properties in the year included improvement works to existing properties of £14,466,000 (2019: £13,535,000) and capitalised interest of £299,000 (2019: £236,000) at an average rate of 3.2% (2019: 3.3%). Expenditure on works to existing properties charged to the statement of comprehensive income totalled £42,323,000 (2019: £51,160,000).

The net book value of housing properties includes £ Nil (2019: £ 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 2019 | 65 | 15,742 | 462 | **16,269** | - | - |
| Additions | 57 | - | - | **57** | - | - |
| Revaluation | - | (277) | - | **(277)** | - | - |
| Operating loss in joint venture | (38) | - | - | **(38)** | | |
| Disposals | - | - | (72) | **(72)** | - | - |
| **At 31 March 2020** | **84** | **15,465** | **390** | **15,939** | - | - |

The investment in year of £57,000 relates to a second instalment of equity investment into the Greater Manchester Joint Venture (GMJV)(Hive). An operating loss of £38,000 has also been recognised in the accounts being 50% share in the GMJV.

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 2020 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 £15.5million, representing a loss in value of £277,000.

With the outbreak of COVID-19 the valuers are able to attach less weight to previous market evidence for comparison purposes, to inform opinions on value. For this reason the valuations are reported on the basis of "material valuation uncertainty" as per VPS 3 and VPGA 10of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution. This is a standard caveat in the current climate and assurance can be taken off the report provided by the valuer

If the investment properties were shown at historic cost less depreciation the carrying value would be as follows:

| | Group | |
|---|---|---|
| | 2020 £'000 | 2019 £'000 |
| Historic costs | **12,310** | 12,772 |
| Accumulated depreciation | **(1,189)** | (943) |
| | **11,121** | 11,829 |

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 | 50,001 |
| 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 2019 | 19,832 | 4,671 | 1,625 | 26,128 |
| Additions | 1,646 | 70 | - | 1,716 |
| Disposals | - | (547) | (36) | (584) |
| **At 31 March 2020** | **21,478** | **4,193** | **1,589** | **27,260** |
| **Depreciation** | | | | |
| At 1 April 2019 | (5,200) | (1,793) | (1,589) | (8,582) |
| Charge for the year | (469) | (240) | (17) | (726) |
| Disposals | - | - | 36 | 36 |
| **At 31 March 2020** | **(5,670)** | **(2,032)** | **(1,570)** | **(9,272)** |
| **Net book value** | | | | |
| At 1 April 2019 | 14,632 | 2,879 | 35 | 17,546 |
| **At 31 March 2020** | **15,808** | **2,161** | **19** | **17,988** |

## 17. Other tangible fixed assets (Cont'd)

| | Association Freehold land and buildings £'000 | Total £'000 |
|---|---|---|
| **Cost** | | |
| At 1 April 2019 | 1,519 | 1,519 |
| Additions | | |
| Disposals | | |
| **At 31 March 2020** | **1,519** | **1,519** |
| **Depreciation** | | |
| At 1 April 2019 | **(668)** | **(668)** |
| Charge for the year | (31) | (31) |
| Disposals | | |
| **At 31 March 2020** | **(699)** | **(699)** |
| **Net book value** | | |
| At 1 April 2019 | **851** | **851** |
| **At 31 March 2020** | **820** | **820** |

## 18. Debtors: amounts falling due after one year

| | Group | | Association | |
|---|---|---|---|---|
| | 2020 £'000 | 2019 £'000 | 2020 £'000 | 2019 £'000 |
| Improvement programmes (VAT Shelter) | **56** | 1,893 | **-** | **-** |
| Loan provided to joint venture | **1,892** | 1,416 | **-** | **-** |
| | **1,948** | 3,309 | **-** | **-** |

## 19. Properties for sale and work in progress

| | Group | |
|---|---|---|
| | 2020 £'000 | 2019 £'000 |
| Properties under construction – low-cost home ownership | **3,048** | 5,311 |
| Completed properties – outright sales | **181** | 608 |
| Completed properties – low-cost home ownership | **1,182** | 467 |
| Developments under construction | **14,933** | - |
| Assets for disposal | **747** | 747 |
| Stock and components | **99** | 47 |
| | **20,190** | 7,180 |

## 20. Debtors: amounts falling due within one year

| | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Rent and service charge arrears | **8,036** | 9,432 | **-** | - |
| Bad debt provision | **(4,351)** | (4,126) | **-** | - |
| | **3,685** | 5,306 | **-** | - |
| Trade debtors | **1,381** | 1,351 | **356** | 366 |
| Social Housing Grant and other grant receivable | **635** | 567 | **-** | - |
| Amounts owed by related parties | **-** | - | **7,651** | 11,167 |
| Amounts owed by leaseholders | **485** | 2,001 | **-** | - |
| Loan to joint venture | **1,422** | | | |
| Prepayments and sundry debtors | **5,095** | 2,460 | **2,597** | 1,469 |
| Improvement programmes (VAT Shelter) | **6** | - | **-** | - |
| Deferred tax | **107** | 15 | **-** | - |
| | **12,816** | 11,700 | **10,604** | 13,002 |

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

Amounts owed by related parties are interest free and due on demand

## 21. Investments

| | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Bank and building society deposits | **-** | 1,473 | **-** | **-** |
| Investments in Credit Unions | **50** | 50 | **-** | **-** |
| | **50** | 1,523 | **-** | **-** |

## 22. Creditors: amounts falling due within one year

| | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Bank and building society loans (note 24) | **27,587** | 7,342 | **-** | - |
| Other loans (note 24) | **1,832** | 1,763 | **-** | - |
| Issue costs (note 24) | **(97)** | (81) | **-** | - |
| | **29,322** | 9,024 | **-** | - |
| Trade creditors | **2,080** | 2,272 | **-** | 2,272 |
| Capital creditors and retentions | **571** | 1,039 | **-** | - |
| Rent and service charges received in advance | **4,533** | 4,263 | **-** | - |
| Other taxation and social security | **760** | 975 | **101** | 975 |
| Deferred Government Grant | **5,451** | 7,185 | **30** | 30 |
| Social housing grant received in advance | **2,165** | 1,074 | **-** | - |
| Accruals and deferred income | **21,303** | 12,643 | **2,116** | 2,022 |
| Other creditors | **4,199** | 1,419 | **3,454** | 3 |
| Amounts owed to related parties | **-** | - | **7,453** | 13,945 |
| Amounts owed to leaseholders | **2,914** | 22 | **-** | - |
| Improvement programmes (VAT Shelter) | **6** | 38 | **-** | - |
| Corporation tax | **279** | - | **279** | - |
| | **73,583** | 39,954 | **13,433** | 19,247 |

## 23. Creditors: amounts falling due after one year

| | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Bank and building society loans (note 24) | **247,286** | 263,638 | **-** | - |
| Other loans (note 24) | **24,971** | 26,803 | **-** | - |
| Issue costs (note 24) | **(718)** | (1,153) | **-** | - |
| | **271,539** | 289,288 | **-** | - |
| Capital creditors and retentions | **552** | 744 | **-** | - |
| Amounts owed to leaseholders | **7,711** | 7,566 | **-** | - |
| Other creditors | **-** | 219 | **-** | - |
| Deferred Government Grant | **435,363** | 434,391 | **833** | 860 |
| Recycled Capital Grant Fund | **1,852** | 1,060 | **-** | - |
| Improvement programmes (VAT Shelter) | **56** | 1,893 | **-** | - |
| | **717,073** | 735,161 | **833** | 860 |

## 24. Debt analysis

| | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| Bank and Building Society loans | **274,873** | 270,980 |
| Other loans | **26,803** | 28,566 |
| Issue costs | **(815)** | (1,234) |
| | **300,861** | 298,312 |

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 2020 interest rates chargeable varied from 0.72% to 11.67%.

| | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| Gross debt is repayable in instalments as follows: | | |
| Within one year | **29,419** | 9,105 |
| Between one and two years | **15,760** | 9,419 |
| Between two and five years | **37,669** | 48,627 |
| After five years | **218,828** | 232,395 |
| | **301,676** | 299,546 |

| | Group | | |
|---|---|---|---|
| | Properties under charge | Amount drawn £'000 | Valuation of units £'000 |
| Contour Homes Limited | 4,399 | 109,835 | 177,037 |
| Onward Homes Limited | 10,188 | 191,841 | 385,859 |
| | **14,587** | **301,676** | **562,896** |

## 25. Deferred Capital Grant

| The total accumulated government grant and financial assistance received or receivable at 31 March: | Group 2020 £'000 | Group 2019 £'000 | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|---|---|
| Held as deferred capital grant at start of the year as previously stated | **441,576** | 438,363 | **890** | 883 |
| Grant received in the year | **7,104** | 9,343 | **3** | - |
| Reclassification of deferred capital grant | **-** | 150 | **-** | 25 |
| Recognised in the Statement of Comprehensive Income in the year | **(7,866)** | (6,280) | **(30)** | (18) |
| **At end of the year** | 440,814 | 441,576 | **886** | 890 |
| Due within one year | **5,451** | 7,185 | **30** | 30 |
| Due after one year | **435,363** | 434,391 | **833** | 860 |
| | **440,814** | 441,576 | **833** | 890 |

Amounts recognised in the statement of comprehensive income of £7,836,000 includes non-social housing grant of £34,000. Only the social housing grant of £7,802,000 is recognised in note 4

## 26. Recycled Capital Grant Fund

| | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| At start of the year | **1,060** | 848 |
| Grants recycled | **982** | 751 |
| Interest accrued | **-** | 2 |
| Recycling to new build development | **(190)** | (541) |
| **At end of the year** | **1,852** | 1,060 |
| Amount three years or older where repayment may be required | **-** | - |

## 27. Disposal Proceeds Fund

| | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| At start of the year | **-** | 590 |
| Grants recycled | **-** | - |
| Interest accrued | **-** | - |
| Recycling to new build development | **-** | (590) |
| Removal of balance relating to Cobalt Housing on exit | **-** | - |
| **At end of the year** | **-** | - |
| Amount three years or older where repayment may be required | **-** | - |

## 28. Financial instruments

| Financial instruments as at 31 March are analysed as follows: | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| **Financial assets measured at amortised cost:** | | |
| Trade receivables (note 20) | **1,381** | 1,351 |
| Other receivables (note 20) | **13,383** | 13,658 |
| Cash and cash equivalents | **52,805** | 46,892 |
| | **67,569** | 61,901 |

| | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| **Financial liabilities measured at amortised cost:** | | |
| Loans payable | **300,861** | 298,288 |
| Trade creditors | **2,080** | 2,272 |
| Other creditors | **487,715** | 474,555 |
| | **790,656** | 775,115 |

The organisation's policy on treasury management, capital structures, cash flow and liquidity are set out on page 6 of the strategic report.

| The organisation's financial liabilities are sterling denominated. The interest rate profile of the organisation's financial liabilities (loans and finance leases) at 31 March was: | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|
| Floating rate | **158,462** | 166,295 |
| Fixed rate | **143,212** | 133,251 |
| | **301,675** | 299,546 |

## 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 2020 £'000 | Group Land and buildings 2019 £'000 |
|---|---|---|
| Leases expiring: | | |
| Within one year | **481** | 472 |
| In the second to fifth years | **1,911** | 1,878 |
| In more than five years | **3,376** | 3,868 |
| **At end of the year** | **5,768** | 6,218 |

During the year £520,000 was recognised as income in the statement of comprehensive income in respect of operating leases receivable (2019: £472,000).

## 29. Operating leases (Cont'd)

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 | |
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| Due: | | | | |
| within one year | **401** | 64 | **241** | 164 |
| in the second to fifth years | **1,443** | 20 | **781** | 661 |
| in more than five years | **2,456** | - | **-** | - |
| **At end of the year** | **4,300** | 84 | **1,021** | 825 |

During the year £480,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2019: £232,000).

## 30. Provisions for liabilities

| | Group | | Association | |
|---|---|---|---|---|
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| Public liability insurance claims: | | | | |
| At start of the year | **1,367** | 1,276 | **267** | - |
| Transfer into / (out of) provisions | **(78)** | 91 | **16** | 267 |
| **At end of the year** | **1,289** | 1,367 | **283** | 267 |

## 31. Pension liabilities

| | Group | | Association | |
|---|---|---|---|---|
| | **2020 £'000** | 2019 £'000 | **2020 £'000** | 2019 £'000 |
| At start of the year | **35,134** | 860 | **-** | - |
| Initial recognition of multi-employer defined benefit | **-** | 28,225 | **-** | 10,443 |
| Net interest on pension liabilities | **768** | 719 | **-** | 129 |
| Transfers to reserves (actuarial gain in period) | **(18,737)** | 7,881 | **-** | (291) |
| Contributions in period | **(3,347)** | (2,681) | **-** | (661) |
| Administration expenses | **68** | 67 | **-** | 18 |
| Current service costs in the period | **66** | 63 | **-** | - |
| Settlement on exit | **(347)** | - | **-** | - |
| SHPS pension on business combination | **-** | - | **-** | (9,638) |
| **At end of the year** | **13,605** | 35,134 | **-** | - |

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 2020 £ | Association 2019 £ |
|---|---|---|
| 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. 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 2020 £'000 | Association 2019 £'000 |
|---|---|---|
| **Recharge by subsidiary** | | |
| Atrium City Living Limited (non- regulated) | | - |
| Contour Homes Limited | **2,352** | 11,426 |
| Contour Property Services Limited (non- regulated) | **76** | 374 |
| Hyndburn Homes Repairs Limited (non-regulated) | **72** | 270 |
| Onward Homes Limited | **4,024** | 20,403 |
| | **6,524** | 32,473 |

| | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|
| **Recharge by service** | | |
| Management services | **6,524** | 32,473 |
| | **6,524** | 32,473 |

Management services are non-salary related corporate recharges which include IT costs, human resources, finance costs, marketing and communication costs etc.

| The association received charges from: | Association 2020 £'000 | Association 2019 £'000 |
|---|---|---|
| **Recharge from subsidiary** | | |
| Atrium City Living Limited (non- regulated) | **-** | 9 |
| Contour Homes Limited | **-** | 4,325 |
| Contour Property Services Limited (non-regulated) | **-** | 204 |
| Hyndburn Homes Repairs Limited (non-regulated) | **-** | 6 |
| Onward Homes Limited | **-** | 695 |
| | **-** | 5,239 |

## 33. Transactions with related parties (cont'd)

| Debtors falling due within one year (note 20) | Association | |
|---|---|---|
| | **2020 £'000** | 2019 £'000 |
| Contour Homes Limited | **404** | 358 |
| Contour Property Services Limited (non- regulated) | **2,290** | 2,068 |
| Hyndburn Home Repairs Limited (non-regulated) | **3,633** | 1,834 |
| Onward Homes Limited | **1,324** | 6,907 |
| | **7,651** | 11,167 |

| Creditors: amounts falling due within one year (note 22) | Association | |
|---|---|---|
| | **2020 £'000** | 2019 £'000 |
| Contour Property Services Limited (non- regulated) | **-** | 7 |
| Contour Homes Limited | **265** | - |
| Onward Homes Limited | **7,188** | 13,938 |
| | **7,453** | 13,945 |

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.

## 34. Capital commitments

| | Group | |
|---|---|---|
| | **2020 £'000** | 2019 £'000 |
| Capital expenditure contracted for but not provided for in the financial statements | **15,555** | 24,001 |
| Capital expenditure authorised by the Board of Management but not yet contracted for | **30,476** | 105,268 |

Capital expenditure commitments are funded through grant funding (Homes England Affordable Homes Programme) and recycled grant, £10,790,000, and cash from approved loan agreements and retained surpluses, £35,241,000.

## 35. 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 £56,000 (2019: £ Nil). Any impairment charges made in prior years have been reversed (£1.869m) as a thorough exercise has been undertaken this year covering all classes of assets.

## 36. Cash flows generated from operating activities

| | Notes | Group 2020 £'000 | Group 2019 £'000 |
|---|---|---|---|
| Surplus for the year | | **16,977** | 15,290 |
| **Adjustments for non-cash items:** | | | |
| Depreciation of tangible fixed assets (Housing properties and Other) | | **20,547** | 20,484 |
| Housing fixed asset write off | | **1,292** | - |
| Change in value of investment property | **16** | **278** | (93) |
| Amortisation of intangible assets | **14** | **79** | 37 |
| Share of joint venture loss | **16** | **38** | - |
| Movement in investments | **16** | **22** | - |
| (Increase) in properties for sale and work in progress | **19** | **(13,010)** | (5,475) |
| (Increase) / decrease in trade and other debtors | **20** | **(1,110)** | 554 |
| Increase in trade and other creditors | | **13,003** | 4,201 |
| (Decrease) / increase in provisions | **30** | **(78)** | 91 |
| Pension costs less contributions payable | | **(3,579)** | (2,551) |
| Carrying amount of tangible fixed asset disposals | | **10,177** | 8,460 |
| Amortisation of deferred Government Grant | | **(7,802)** | (5,075) |
| **Adjustments for investing or financing activities** | | | |
| Proceeds from disposal of tangible fixed assets | | **(13,047)** | (10,541) |
| Interest receivable | **11** | **(2,732)** | (2,962) |
| Interest payable | **12** | **14,665** | 24,274 |
| **Net cash generated from operating activities** | | **35,720** | 46,694 |

## 37. Contingent liabilities

Onward Homes Limited has underwritten £533,000 (2019: £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.

## 38. Pension costs

### (a) The Social Housing Pension Scheme

The company participates 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 was not 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, a valuation of the scheme was carried out with an effective date of 30 September 2018. The liability figures from this valuation were rolled forward for accounting year-ends from 31 March 2019 to 29 February 2020 inclusive. The liabilities are compared, at the relevant accounting date, with the company's fair share of the Scheme's total assets to calculate the company's net deficit or surplus.

Similarly, an actuarial valuation of the scheme was carried out as at 30 September 2019 to inform the liabilities for accounting year ends from 31 March 2020 to 28 February 2021 inclusive.

| **Assumptions** | **Group 2020** | **Association 2020** |
|---|---|---|
| Inflation | 1.6% | - |
| Rate of discount on scheme | 2.4% | - |
| Rate of salary increase | 2.6% | - |
| Rate of increase of pensions | 2.6% | |
| Life expectancy male non-pensioner | 22.9 | - |
| Life expectancy female non-pensioner | 24.5 | - |
| Life expectancy male pensioner | 21.5 | - |
| Life expectancy female pensioner | 23.3 | - |

The fair value of the schemes' assets at 31 March 2020, 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.

## 38. Pension costs (cont'd)

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

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| Fair value of assets | **98,824** | - |
| Present value of liabilities | **(111,955)** | - |
| Deficit in the scheme | **(13,131)** | - |

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

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Market value** | | |
| Global Equity | 14,454 | - |
| Absolute Return | 5,153 | - |
| Distressed Opportunities | 1,903 | - |
| Credit Relative Value | 2,710 | - |
| Alternative Risk Premia | 6,910 | - |
| Fund of Hedge Funds | 57 | - |
| Emerging Markets Debt | 2,992 | - |
| Risk Sharing | 3,337 | - |
| Insurance-Linked Securities | 3,035 | - |
| Property | 2,177 | - |
| Infrastructure | 7,355 | - |
| Private Debt | 1,992 | - |
| Opportunistic Illiquid Credit | 2,392 | - |
| Corporate Bond Fund | 5,635 | - |
| Liquid Credit | 40 | - |
| Long Lease Property | 1,710 | - |
| Secured Income | 3,750 | - |
| Liability Driven Investment | 32,799 | - |
| Net Current Assets | 423 | - |
| Total | 98,824 | - |

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Analysis of the amount charged to operating surplus** | | |
| Current service cost | - | - |
| Past service cost / (gain) | - | - |
| Total operating charge | - | - |

## 38. Pension costs (cont'd)

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

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Analysis of the amount credited to other finance income** | | |
| Expected return on pension assets | 2,240 | - |
| Interest on pension liabilities | (2,995) | - |
| Net return | (755) | - |

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Movement in (deficit) during the year** | | |
| Initial recognition of multi-employer defined benefit | (34,240) | - |
| Movement in year: | - | - |
| Current service cost | - | - |
| Past service cost | - | - |
| Contributions | 3,313 | - |
| Expected return on plan assets | 2,240 | - |
| Interest on pension liabilities | (2,995) | - |
| Administration expenses | (68) | - |
| Remeasurement gain / (loss) | - | - |
| Business combination | - | - |
| Actuarial (loss)/gain in SCI | 18,619 | - |
| Deficit in schemes at end of the year | (13,131) | |

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Amount recognised in the Statement of Comprehensive Income** | | |
| Actual return less expected return on pension scheme assets | 178 | - |
| Experienced gains (losses) arising on the scheme liabilities. | 1,845 | - |
| Change in assumptions underlying the present value of scheme liabilities | 16,596 | - |
| Actuarial (loss)/gain recognised in SCI | 18,619 | - |

| | Group 2020 | Association 2020 |
|---|---|---|
| **History of experienced surpluses and deficits** | | |
| Difference between actual and expected returns on assets (£'000) | 178 | - |
| % of scheme assets | 0.2% | - |
| Experienced (losses)/gains on liabilities (£'000) | 1,845 | - |
| % of scheme liabilities | 1.6% | - |
| Total amount recognised in SCI (£'000) | 18,619 | - |
| % of scheme liabilities | 16.6% | - |

## 38. Pension costs (cont'd)

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

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Reconciliation of assets** | | |
| Initial recognition of multi-employer defined benefit | **97,108** | - |
| Employer contributions | **3,313** | - |
| Employee contributions | **-** | - |
| Benefits paid | **(4,015)** | - |
| Expected return on plan assets | **2,240** | - |
| Remeasurement of assets | **178** | - |
| Business combination | **-** | - |
| Assets at end of year | **98,824** | - |

| | Group 2020 £'000 | Association 2020 £'000 |
|---|---|---|
| **Reconciliation of liabilities** | | |
| Initial recognition of multi-employer defined benefit | **131,348** | - |
| Operating charge | **-** | - |
| Interest cost | **2,995** | - |
| Employee contributions | **-** | - |
| Benefits paid | **(4,015)** | - |
| Actuarial (gain)loss | **(18,441)** | - |
| Administration expenses | **68** | - |
| Business combination | **-** | - |
| Benefit obligation at end of year | **111,955** | - |

### (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.

## 38. Pension costs (cont'd)

### (b) Local Government Pension Scheme

The major assumptions used in this valuation for Greater Manchester Pension Fund is as follows.

| Assumptions | 2020 | 2019 |
|---|---|---|
| Inflation | 2.1% | 2.2% |
| Rate of discount on scheme | 2.3% | 2.4% |
| Rate of salary increase | 2.6% | 2.5% |
| Rate of increase of pensions | 1.8% | 2.5% |
| Life expectancy male non-pensioner | 22.0 | 23.7 |
| Life expectancy female non-pensioner | 25.0 | 26.2 |
| Life expectancy male pensioner | 20.5 | 21.5 |
| Life expectancy female pensioner | 23.1 | 24.1 |
| Mortality assumptions (normal health) | | |
| Basis | S2PA CMI 2013 model | S2PA CMI 2013 model |
| Non-retired members | Converge to a long term rate of 1.25% | Converge to a long term rate of 1.25% |
| Retired members | Converge to a long term rate of 1.25% | Converge to a long term rate of 1.25% |

The major assumptions used in this valuation for Merseyside Pension Fund is as follows.

| Assumptions | 2020 | 2019 |
|---|---|---|
| Inflation | 2.1% | 2.2% |
| Rate of discount on scheme | 2.4% | 2.4% |
| Rate of salary increase | N/A | N/A |
| Rate of increase of pensions | 2.2% | 2.3% |
| Life expectancy male non-pensioner | 22.5 | 25.2 |
| Life expectancy female non-pensioner | 25.9 | 27.9 |
| Life expectancy male pensioner | 20.9 | 22.2 |
| Life expectancy female pensioner | 24.0 | 25.0 |
| Mortality assumptions (normal health) | | |
| Basis | S3PA CMI 2018 | S2PA CMI_2015 |
| Non-retired members | 1.75% 131% male, 106% female | 1.75% 107% male, 1.50% 92% female |
| Retired members | 1.75% 124% male, 104% female | 1.75% 112% male, 1.50% 99% female |

## 38. Pension costs (cont'd)

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

The fair value of the schemes' assets at 31 March 2020, 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:

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| Fair value of assets | **1,118** | 2,924 |
| Present value of liabilities | **(1,592)** | (3,818) |
| Deficit in the scheme | **(474)** | (894) |

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

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| **Market value** | | |
| Equities | **771** | 2,018 |
| Government Bonds | **168** | 438 |
| Other Bonds | **-** | - |
| Property | **78** | 234 |
| Cash/liquidity | **101** | 234 |
| Other | **-** | - |
| Total | **1,118** | 2,924 |

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| **Analysis of the amount charged to operating surplus** | | |
| Current service cost | **66** | 63 |
| Past service cost / (gain) | **-** | - |
| Total operating charge | **66** | 63 |

| | **2020 £'000** | 2019 £'000 |
|---|---|---|
| **Analysis of the amount credited to other finance income** | | |
| Expected return on pension assets | **29** | 71 |
| Interest on pension liabilities | **(42)** | (95) |
| Net return | **(13)** | (24) |

## 38. Pension costs (cont'd)

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Movement in (deficit) during the year** | | |
| Deficit in schemes at start of the year | **(894)** | (860) |
| Movement in year: | | |
| Current service cost | **(66)** | (63) |
| Contributions | **34** | 34 |
| Expected return on plan assets | **29** | 71 |
| Interest on pension liabilities | **(42)** | (95) |
| Settlement on exit | **347** | - |
| Actuarial (loss)/gain in SCI | **118** | 19 |
| Deficit in schemes at end of the year | **(474)** | (894) |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Amount recognised in the Statement of Comprehensive Income** | | |
| Actual return less expected return on pension scheme assets | **(130)** | 133 |
| Experienced gains (losses) arising on the scheme liabilities. | **(10)** | - |
| Change in assumptions underlying the present value of scheme liabilities | **258** | (114) |
| Actuarial (loss)/gain recognised in SCI | **118** | 19 |

| | 2020 | 2019 |
|---|---|---|
| **History of experienced surpluses and deficits** | | |
| Difference between actual and expected returns on assets (£'000) | **(130)** | 133 |
| % of scheme assets | **-11.6%** | 4.5% |
| Experienced (losses)/gains on liabilities (£'000) | **(10)** | - |
| % of scheme liabilities | **-0.6%** | - |
| Total amount recognised in SCI (£'000) | **118** | 19 |
| % of scheme liabilities | **7.4%** | 0.5% |

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Reconciliation of assets** | | |
| Assets at start of year | **2,924** | 2,757 |
| Employer contributions | **34** | 34 |
| Employee contributions | **12** | 11 |
| Benefits paid | **(8)** | (82) |
| Expected return on plan assets | **29** | 71 |
| Remeasurement of assets | **(130)** | 133 |
| Settlement on exit | **(1,743)** | - |
| Assets at end of year | **1,118** | 2,924 |

## 38. Pension costs (cont'd)

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

| | 2020 £'000 | 2019 £'000 |
|---|---|---|
| **Reconciliation of liabilities** | | |
| Benefit obligation start of year | **3,818** | 3,617 |
| Operating charge | **66** | 63 |
| Interest cost | **42** | 95 |
| Employee contributions | **12** | 11 |
| Benefits paid | **(8)** | (82) |
| Actuarial gain(loss) | **(248)** | 114 |
| Curtailment on exit | **-** | - |
| Settlement on exit | **(2,090)** | - |
| Benefit obligation at end of year | **1,592** | 3,818 |

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 £1,781,000 (2019: £2,266,000) and corresponding asset of £1,390,000 (2019: £1,728,000), 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 | |
|---|---|---|
| | 2020 £'000 | 2019 £'000 |
| At start of the year | **538** | 400 |
| Interest on pension liabilities | **14** | 11 |
| Transfers to reserves (actuarial gain in period) | **(222)** | 93 |
| Contributions in period | **(37)** | (35) |
| Current service costs in the period | **98** | 69 |
| **At end of the year** | **391** | 538 |

## 39. 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 £775,730 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.

## 40. Post Balance Sheet Events

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