Onward

Creating positive spaces

ANNUAL REPORT
2021

Annual Report and Financial Statements

A united organisation making a positive difference.

Dr Neil Goodwin CBE,
Board Chair

Four years ago, we started a journey to create one organisation from five separate social landlords. We undertook this task because we knew it was the best way to maximise our positive impact in the communities we serve.

In the last 12 months, we prepared to complete our organisational journey, with Contour Homes set formally to become part of Onward on 1 April 2021. This enabled us to successfully achieve our bond issue, which builds on our top V1 financial rating to secure favourable lending terms that will enable delivery of our business plan. Our top G1 rating for governance was also confirmed again this year.

Strengthening the voice of our customers is both a challenge and an opportunity in the coming year, for Onward as for the sector as a whole. Our new combined Resident Scrutiny Board will increasingly make its voice heard by influencing the design and delivery of services.

Its contribution will be essential as we build on the progress of last year to deliver continuous improvement in the year ahead.

On a personal note, this is the last Annual Report of my time after six years as Chair of the Board. It has been a privilege to serve Onward, its committed staff and their collective desire to make a positive impact.

I wish them, the Board, my successor and Onward's customers the very best for the future. I am confident that together they will deliver many future successes.

Looking forward with optimism.

Reading our Annual Report of 12 months ago, it is striking that there are few references to the pandemic, or the restrictions on our lives we are now so familiar with. During this year, we have all learned a lot. Many of us have experienced loss. But there are also inspiring stories to be told about resilience and collective achievement in the toughest of times.

Our role in a collaborative project in Liverpool that has provided homes for 1,000 people without a home, or at risk of homelessness.

Reaching out and helping more than 3,000 customers who needed support with food, money or loneliness, during lockdown.

Releasing 100 colleagues from their day job to volunteer in the communities we serve in response to escalating need.

We have also made steady progress, in difficult circumstances, in areas where we know we needed to do better. We have seen improvement already and there is more to come. We are committed to providing customers with further service improvements in the year ahead.

Our stable finances and successful bond issue provide the best possible foundations for our plans to work with customers, and partners, to broaden and deepen our positive impact in 2021.

Our customers can look ahead with optimism for a better year to come. We will be with them every step of the way.

Bronwen Rapley,
Chief Executive

A year of adversity and achievement.

For Onward, this has been a year of organisational milestones, culminating in us becoming a single organisation and completing our first bond issue. The bond proceeds were used to settle some existing loan facilities. These milestones matter because they provide the foundation upon which we will serve our customers, improve their neighbourhoods and build new homes

These are some of our highlights from the last 12 months:

V1 G1

The Regulator of Social Housing confirms our top ratings for Governance (G1) and Financial Viability (V1).

Our Customer Engagement Community of 2,000 customers helps to shape services, including new and greener grounds maintenance programmes.

MOODY'S

Rating agency Moody's placed us among the highest rated housing associations, with a credit rating of A1 (Stable), meaning we are a very safe bet for investors.

Starting work on a new community at Basford, near Crewe, of 449 quality homes and a multimillion pound investment in new roads, a new school and community facilities.

Getting onsite to deliver 500 homes in line with our plans to build 5,000 new homes by 2030 to meet a range of housing aspirations across the North West.

Steady improvements in the repairs service, completing a record number of jobs, reducing complaints by 60% and increasing customer satisfaction by 10%.

We have invested a total of £47.5m to mend, improve and update homes and keep customers safe.

Major investment in building safety by removing cladding and improving the fabric of three high rise buildings in Preston.

Contour Homes prepared to become part of Onward on 1 April 2021, formally ending our four-year journey to create a single, unified organisation.

Successful bond issue secures long term funding from new investors, locking in low interest rates on more than half of our loans for the next 30 years.

STANDING WITH OUR COMMUNITIES.

We have grown closer to our customers this year by being active in their neighbourhoods in a time of need. During lockdown, we escalated our work with charitable and other partners to tackle challenges like food poverty, social isolation and financial hardship.

The Onward Community Fund provides financial support to neighbourhood groups and projects. In the last 12 months, we provided £100,000 to 37 projects, helping to deliver valuable experiences and opportunities to local people. We also made a further donation to Open Kitchen to help provide meals for families in crisis and emergency deliveries of groceries.

Between February and March, 97 Onward colleagues volunteered at 33 community projects, providing 388 hours of volunteering support in total. From preparing food parcels, to filling toy sacks and delivering hot meals, we were there lending a hand.

Meanwhile, Community Shop, the UK's first social supermarket chain, opened its new store at our former office on Walton Road, in Liverpool. We supported the store by providing premises at no cost and donating £150,000, helping the local community access affordable food.

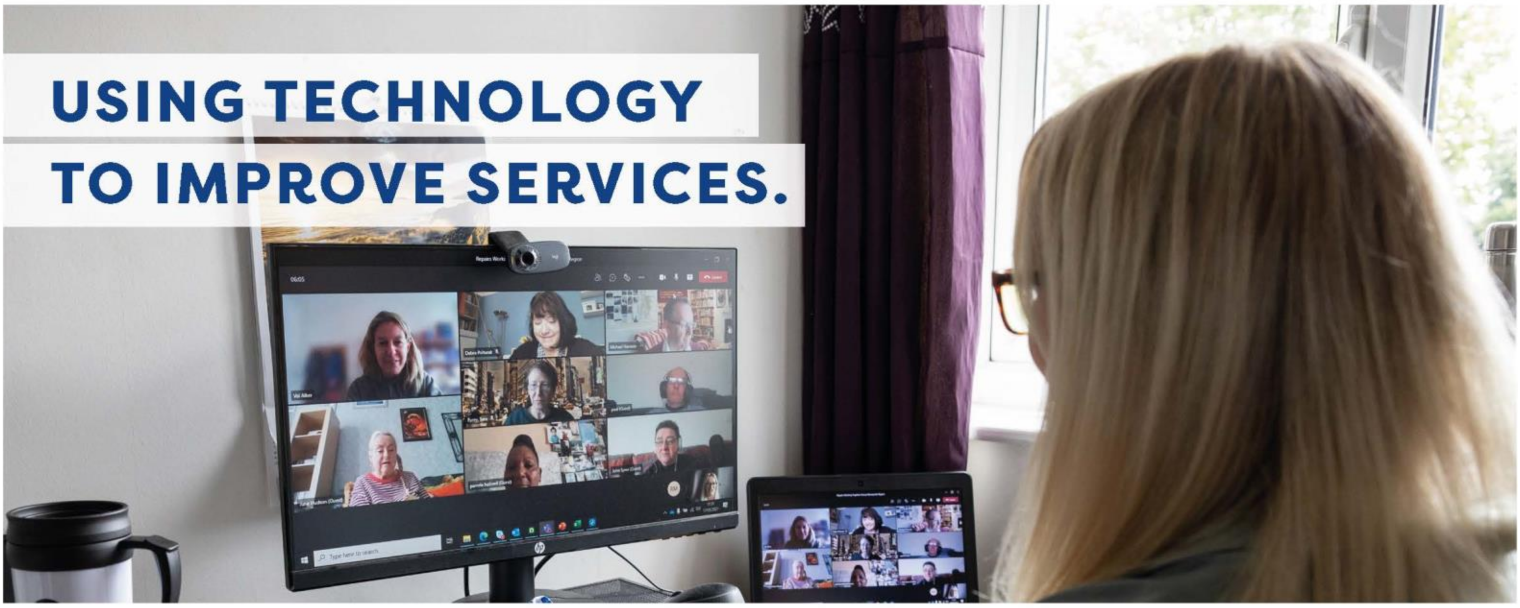
SUPPORTING PEOPLE DURING LOCKDOWN.

Making sure our customers are safe and happy in their home is our number one priority. We have had to find new ways to do this during a year when we couldn't get out and about to visit you as much as we want.

During lockdown we started making regular welfare calls to customers, checking in to say hello and make sure everything is ok. The initial call is automated, but when help is requested the follow up is personal, as our specialists work directly with customers. This has included support for essential shopping, information on local food banks, help in collecting medication and financial advice.

Welfare calls, and all the specialist support that follows, have become business as usual for us. Another example of learning in the pandemic that will help us do more for customers in the future.

USING TECHNOLOGY TO IMPROVE SERVICES.



During the pandemic many people have embraced technology as a way of keeping in touch and accessing services. We have risen to this opportunity by upgrading all of our digital services to make it easier for customers to get in touch.

This year we launched online chat and WhatsApp, upgraded our telephone system and improved our Messenger, Twitter and Facebook platforms. We also introduced an innovative new chatbot that customers are finding really helpful. New mobile platforms for our colleagues are also making it easier to report and take action on things happening in our communities.

We also launched a new service that allows us to do repair inspections remotely, using video calling.

Virtual inspections free up time for our Repairs Specialists to do more follow up visits on completed jobs, so we can be sure that the workmanship of our contractors is up to standard and customers are satisfied with a job well done. Complaints are down, satisfaction is up and we are committed to delivering another year of improvement.

CUSTOMERS HELP IMPROVE GREEN SERVICES.

In 2020, we asked customers for feedback on our grounds maintenance service. Thousands responded, with many asking for a clearer schedule of visits, better quality control and more detail on work to be done. In response, we launched a refreshed grounds maintenance service, increasing the number of visits and setting out a more detailed list of the work our contractors will deliver.

We're committed to finding new ways to enhance local green spaces and tackle climate change. Our local green teams play a big role in reducing carbon and improving neighbourhoods, for example by planting shrub and flower beds with adaptable species that need less water.

Across the North West we manage 20,000 trees, but we want even more! We have plans to plant more trees to help remove carbon from the atmosphere.

Growing where we can make a positive difference.

MORE THAN JUST A HOUSEBUILDER.

In November, we gained planning permission to build a new community at Basford, near Crewe. The scheme is backed by our investment of £93 million and supported by a £2 million grant from Homes England. At Basford we will create 449 new homes, including 123 affordable homes and delivering a £6.8million investment in the community.

We build quality homes and create green places that people want to live in.

This is why our plan for Basford includes a £4.5 million investment in roads, £1.5 million towards a new primary school and £650,000 for green transport infrastructure.

Onward is also working with New Beginnings, a social enterprise set up by construction partners Lane End, to provide learning opportunities for local students of Primary, Secondary and Higher Education.

Our choice of a North West construction company demonstrates our commitment to supporting the Northern Pound by backing regional businesses and workers.

HOMES FOR KEY WORKERS.

In the last 12 months we have all come to appreciate our key workers even more than we already did! Key workers are benefitting from the range of homes and tenure options we offer, including Shared Ownership.

Chris is a junior doctor from Wirral. This year Chris has gone from living in a motorhome on his parents' drive to buying his own apartment in Aigburth, Liverpool. Chris had been living with his parents but decided to move into the motorhome at the start of lockdown to keep his family safe. After saving up for a deposit, Chris was able to snap up a one-bedroom flat at our Clifton Place development.

Our successful sales brand, Onward Living, provides customers like Chris with affordable shared ownership options. This year Onward Living has smashed all of its sales targets once again.

Our plans to deliver 5,000 new homes by 2030 include homes for social rent, affordable rent and shared ownership. We will always design our schemes to meet the variety of local housing need, from growing families to aspiring couples and older people looking to downsize.

RESPONDING TO GROWING NEED FOR HOUSING WITH CARE ACCOMMODATION.

We are committed to building homes to meet the full range of need in the communities we serve, now and into the future. Currently we provide over 3,000 specialist homes in our sheltered and Housing with Care schemes across Greater Manchester, Lancashire and Merseyside.

Within some of these, we support customers living with dementia and help them maintain their independence. There are over 850,000 people living with dementia in the UK today, but it is estimated that the number of people living with the condition by 2025 will rise to over one million.

In response to this growing need, in August we will open Oaklands, a new Housing with Care scheme we are currently building in Fallowfield, near Manchester City Centre. The scheme will specialise in bespoke packages of care for individuals with cognitive and neurological conditions. The 36 apartments will benefit from specialist assistive technology and an on-site care team to assist residents to live independently with varying levels of care and support.

BOARD, SENIOR MANAGMENT AND ADVISORS

Members of the Board

Non-Executive Directors

Dr Neil Goodwin CBE (Chairman)

Rachel Barber

Dena Burgher (appointed March 2021)

Wyn Dignan

William Hewish

Paul High

Brian Roebuck (Deputy Chairman to April 2021)

Michael Verrier (Deputy Chairman from April 2021)

Executive Directors

Bronwen Rapley, Chief Executive

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

Michael Gerrard Executive Director (Finance)

Alexander Livingstone Executive Director (Property)

Matthew Saye Executive Director (Operations) (appointed interim September 2020, permanent March 2021)

Company Secretary

Catherine Farrington

Victoria Parr (Deputy)

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 2021.

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 adapt and evolve the business so that we could continue 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

Onward's structures and governance continue to evolve in order to achieve the optimal organisation for delivery of the strategic objectives. On 1 April 2021, Contour Homes Limited transferred its engagements into Onward Homes Limited. This completed the consolidation of all of Onward's social landlord activity into one organisation – a project which has taken many years.

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. As mentioned above, from 1 April 2021, Contour Homes transferred its engagements into Onward Homes. Once the formalities have been completed, Contour Homes will cease to exist as a legal entity.

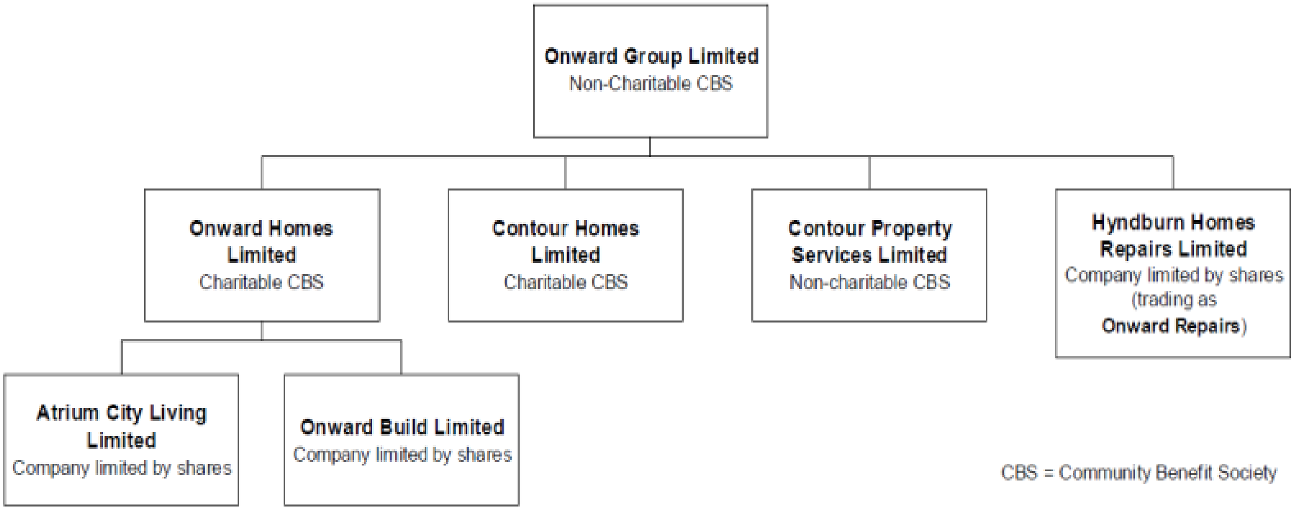
Onward Homes has two wholly owned subsidiaries:

1. Atrium City Living Limited is 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 near Preston.
2. Onward Build Limited 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.

Onward Homes holds an interest in joint venture S4B Limited – the company which delivers the PFI contract for Manchester City Council in the Brunswick area of the city. Onward Homes delivers the housing management contract.

Contour Property Services provides property management services to 4000 leasehold and freehold home owners.

Hyndburn Homes Repairs provides repairs services in the Lancashire region and trades as Onward Repairs.



The Group is governed by a common Board which acts as the Board for Onward Group, Onward Homes and previously 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 £20.9m (2020 restated: £18.7m) mainly due to reduced net interest costs.

Net surplus was 13.4% (2020 restated: 12.0%) of turnover and the operating margin was 17.5% (2020 restated: 20.2%) after gain/(loss) on fixed assets (housing properties). Total comprehensive income was negatively impacted by an actuarial loss of £18.0m in the Social Housing Pension Scheme (SHPS).

Total restated turnover increased from £155.8m to £156.1m in 2021, an increase of 0.2%. The Group continues to generate a strong net cash flow from operating activities of £35.0m (2020 restated: £35.3m).

The Group ended the year with cash and short-term investments of £183.3m (2020: £52.8m). The increased cash position is as a result of the drawdown of the bond (£215m) on 25th March 2021. The bond proceeds were largely used to re-finance existing loans with the majority being settled on 1st April 2021 as part of the transfer of engagements involving Contour Homes Limited.

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 2.4 in 2021 (2020 re-stated: 2.3), and gearing (which measures the level of indebtedness, and using the value for money metrics definition) has changed little at 23.7% (2020: 23.2%). These ratios remain comfortably within the levels permitted by funders' loan agreements.

A five year summary of the Group's past financial performance is shown below. Turnover has remained steady and marginally below previous years. Operating costs has remained consistent with prior years having increased only marginally. Our overall social housing cost per unit has marginally increased from £3,504/unit to £3,568/unit mainly due to the increased routine maintenance spend.

Statement Of Comprehensive Income	2021 £m	Restated 2020 £m	2019 £m	2018 £m	2017 £m
Turnover	156.1	155.8	146.8	168.9	181.3
Operating Costs & Cost Of Sales	(128.4)	(127.4)	(112.1)	(122.1)	(135.9)
(Loss)/gain on Disposal of Housing Property Assets	(0.4)	3.0	2.8	1.6	1.4
Operating Surplus	27.3	21.4	37.5	48.4	46.8
Share of loss in joint venture	(0.1)	(0.0)	-	-	-
Interest Receivable	2.7	2.7	3.0	0.5	0.9
Interest Payable	(12.4)	(14.7)	(24.3)	(15.6)	(16.7)
(Loss)/Surplus on Disposal of Assets	3.1	(0.5)	(1.0)	(0.8)	(0.1)
Taxation	0.4	(0.2)	0.1	(0.0)	-
Surplus for the year after Tax	21.0	18.7	15.3	32.5	30.8
Other Comprehensive Income	(18.0)	18.7	(19.2)	1.7	(2.7)
Total Comprehensive Income for the Year	3.0	37.4	(3.9)	34.1	28.1

Statement of Financial Position	2021 £m	Restated 2020 £m	2019 £m	2018 £m	2017 £m
Housing Properties net of Depreciation	1,086.4	1,071.2	1,059.9	1,054.2	1,197.6
Other Fixed Assets, Investments & Long Term Debtors	36.8	35.9	37.1	38.1	39.8
Net Current Assets	166.5	12.3	27.3	100.1	106.8
Total Assets Less Current Liabilities	1,289.7	1,119.4	1,124.4	1,192.6	1,344.2
Loans Due After 1 Year	426.9	271.6	289.3	377.4	432.7
Other Long Term Liabilities	443.2	446.1	447.2	457.6	483.6
Pension Liability	28.6	13.6	35.1	0.9	-
Revenue Reserves	391.0	388.1	352.8	356.7	427.9
Long Term Liabilities & Reserves	1,289.7	1,119.4	1,124.4	1,192.5	1,344.2

Financial Ratios	2021	2020	2019	2018	2017
Operating Margin (Overall)*	17.7%	18.3%	25.5%	28.6%	25.8%
Net Margin	13.4%	12.0%	10.4%	19.2%	17.0%
Return on Net Assets (RONA)	1.6%	1.7%	1.4%	2.7%	2.3%
Return on Capital Employed (ROCE)	2.1%	2.8%	3.3%	4.1%	3.5%
EBITDA-MRI	263%	212%	158%	360%	308%
Interest Cover	2.4	2.3	1.7	3.1	2.9
Gearing	23.7%	23.2%	23.6%	24.8%	25.3%
Headline Social Cost Per Unit £'000	3,568	3,504	3,413	3,718	3,151
Net Debt Per Unit	8,903	8,644	8,625	9,102	8,509

* Operating margin (overall) in the RSH VfM metric table excludes gain/loss on fixed assets (housing properties)

Covid-19: The Group continues to monitor and respond to the impact of the Covid-19 pandemic and to minimise the impact on customers.

Despite the pandemic and varied Government restrictions during the year the business has continued to deliver core services throughout and to return to a full service as soon as possible after restrictions are eased, while maintaining safe systems of work for colleagues.

Rent collection performance has been strong throughout the year at 100.1% (2020: 99.9%). Looking forward, the 30 year financial plan reflects a prudent estimate of rent arrears together with a recovery of inflation to pre-pandemic levels.

As part of producing the business plan the Group undertakes robust sensitivity and stress testing to understand the impact on covenants and other key financial metrics. The analysis shows that should any emergencies arise the Group has significant control over its expenditure to respond and mitigate any risk of a breach.

Operating review

Performance

The Group's annual performance has held up well despite challenging 12 months operating under government restrictions as a result of Covid-19. There was a dip in performance during the year as we focused on emergency and urgent repairs. As government restrictions began to ease we returned to almost full operational delivery with as expected catch up works to consider. Despite this the Group has maintained its financial viability and strength.

The Group has five year plan (Onward Corporate Plan) and is guided by its 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	2021	2020	2019	2018
Void Loss %	**2.18%**	1.63%	1.65%	1.69%
Average re-let (days)	**56.30**	52.47	48.95	43.51

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.

For year ending March 2021 we have seen an increase in void levels as expected due to the restrictions of Covid-19 and the ability to undertake works in a timely manner to relet properties. We remain confident that this area will return to acceptable levels from 2021/22 as demonstrated by the early positive performance in the early part of 2021. This remains an area of focus for the Board.

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 19 empty properties. Last year we disposed of 6 empty properties. 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 45 days (2020; 36 days).

Income collection and arrears

Measure	2021	2020	2019	2018
Rent Collection %	**100.1%**	99.9%	100.2%	99.9%
Arrears - current residents %	**5.10%**	5.01%	4.95%	3.88%
Arrears - former residents %	**1.50%**	1.38%	1.28%	1.38%
Arrears - Total %	**6.6%**	6.39%	6.23%	5.26%

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 100.1% (2020: 99.9%). Covid-19 restrictions posed a challenge for the sector in ensuring arrears levels were managed. The Financial Inclusion and Income Management teams have used the Rent Sense tool to target arrears cases maintaining a favourable position compared to sector. Going forward plans are being further developed to introduce increased automation of customer contact and support via this team to support those most in need.

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 reduction in the volume of repairs per property, but with a marginal increase in average cost responsive repairs per property. This is mainly due to slightly increase in repair costs as a result of covering staff absence through contractors and the additional costs this incurred.

Measure	2021	2020	2019	2018
Ave no. repairs per property	**3.50**	3.60	3.53	3.80
Repairs cost per property	**£479**	£474	£490	£437

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 due to specific decisions in compliance and cyclical and component investment.

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

Measure	2021	2020	2019	2018
Budget net surplus	£22.3m	£25.7m	£21.2m	£17.8m
Actual net surplus	£20.9m	£17.0m	£15.4m	£27.8m

Development and reinvestment

We have committed to deliver 1,400 new homes by 2024 and are on target to achieve this objective. Our Board has now approved development schemes that will deliver over 2,000 homes. In 2020/21 we completed 171 new homes, including 75 home ownership at an average 1st tranche ownership of 48.2%.

Our investment commitment of £3.2m 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 is now actively building on behalf of Onward Homes and currently has a mixed tenure development at Basford on site which will deliver 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 2020/21 we invested in £11.7m new windows, kitchens, bathrooms, heating and re-roofing and spent a further £16.5m 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. 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. 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. 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. 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. We have reforecast our business plan to reflect this challenge and will monitor performance using a range of performance measures.
Economic downturn	Covid-19 has had a significant impact on the economy and the rate of recovery is uncertain. 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. 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. 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. 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. 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 long-term 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's treasury activites are managed in line with its Treasury Management Policy and the annual Treasury Strategy, which is presented to the Treasury Committee for approval.

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 Group'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 2021 (2020: £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.

On 25th March 2021, the Association issued a 32 year £350m bond ("Bond") at a re-offer yield of 2.215%. The initial offer to the market was for a principal amount of £215m (the "Principal Amount", the issued Bond) with a principal amount of £135m of bonds retained for later issue (the "Retained Bond").

A coupon rate of 2.125% meant that the issued bond was priced at 97.945% (the "bond issue Price"), equivalent to a discount on issue of £4.418m (2.055%). The net funds received were £210.582m (£97.945 per £100 issued).

In arranging the Bond, the Association incurred issue costs of £1.192m.

The discount on Issue and the Bond Issue costs will be amortised over the term of the Bond. Interest is payable by the Association to the bondholders at a rate of 2.125% six months in arrears on the Principal amount, starting in September 2021.

The Bond is secured by way of fixed charges over the housing properties of the Association in favour of Prudential Trustee Limited acting as Security Trustee.

The Principal amount is due for repayment on 25th March 2053.

In line with the agreed treasury strategy £182.6m of the bond proceeds were used to settle existing loan facilities. £55.1m has been repaid in March 2021 with a further £127.5m paid in April 2021 which includes £36.1m of breakage costs. The breakage costs will be charged to the Statement of Comprehensive Income in the year to 31 March 2022.

The Group has borrowing facilities of £682.3m (2020; £341m) of which £447.3m (2020; £302m) has been drawn down as at 31 March. These facilities include £135m of retained Bond which has not been drawn down. The available facility includes £100m (2020; £59m) of revolving facilities of which all £100m (2020; £39m) is still available to be drawn down.

The bond was issued on 25th March 2021, prior to completion of the transfer of engagements on 1st April 2021. As a consequence, as at 31 March 2021 there was a high cash balance £183.2m compared to the prior year £52.8m. Of the bond monies received £55.1m has been used to repay existing loan facilities as per the agreed treasury strategy.

The Group prepares detailed 3 year rolling cash flow forecasts which are updated monthly and used to assess short term liquidity cover.

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.

As mentioned above under the legal status section, the Contour Homes Limited transferred into Onward Homes Limited on 1st April 2021. On that date and in line with the Group's Treasury Strategy, two of Contours funders were repaid in full to the value of £91.4m, plus breakage cost of circa £36.1m. The remaining funders agreed to transfer into Onward Homes Limited.

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. A self-assessment against the 2015 Code has been completed and confirms compliance with all provisions. In 2020, the NHF published an updated version of their Code of Governance and the Board intends to adopt the 2020 version for the next financial year.

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 also sets up and agrees terms of reference for task and finish groups where there are areas of work which need additional scrutiny for a finite period. The Pensions Task & Finish Group was established in 2020 and its work is expected to conclude later in 2021. The Health & Safety Task & Finish Group was set up in April 2021 to review reporting and monitoring arrangements, now that Onward's Health and Safety framework and culture is more established.

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 as the single social landlord in the group was finally completed on 1 April 2021 with the transfer of engagements from Contour Homes. This has empowered us to take further steps towards greater financial capacity with the successful issue of our bond, further rationalising our loan portfolio and releasing capacity for future growth and reducing our interest costs by around £4m each year compared to long-term business plan assumptions. That greater financial capacity and improved financial strength will improve our ability to drive forward our strategic and corporate objectives and improve our value for money (VfM) as we move forward beyond 2020/21.

Covid-19: Financial and operational performance for the whole of this reported financial year has been subject to life under Covid-19 restrictions. Onward very quickly adapted to life in the new environment. A great deal of resource at the start was turned to contacting all our customers directly to identify those in need of direct help and then to co-ordinate or deliver that help. All our key services have been directly impacted: a reduced repairs service for a period, rescheduling of improvements to our sheltered schemes, impact on void processes and arrears management, and a slowdown in delivery of our neighbourhood and social investment projects. However, Covid-19 has given us the opportunity to re-engage with our customers in a positive way and improved service delivery has been matched by customer perception. Furthermore our financial model stress testing has given us confidence that Covid-19 has not derailed our ability and capacity to deliver an improving service over the coming months.

Onward has continued through this national emergency to work to deliver 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:

1) 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:
2) Internal Operational Performance Dashboard – how we assess the **effectiveness** of our actions and use this to inform plans to influence customer satisfaction.
3) Procurement savings – how we demonstrate economy in our spending and best use of our resources as part of our improvement plans.
4) Annual changes to asset performance measured by our Asset Performance Evaluation (APE) model.
5) 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 Surveys inform us:

Our last full STAR survey as Onward in 2019 showed us we have 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. Of particular concern to us in that last STAR survey was a 67% satisfaction rate with our repairs and maintenance service and although progress against all measures on the STAR survey will not be available until next year, responsive repairs satisfaction ratings at 77.1% for the year to date at March 2021 indicates significant progress, justifying optimism for further improvements in the coming months.

Examples of action as a result of the STAR survey:

- 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 service charges for 2020/21 at the previous year's levels while we undertook a full consultation with our customers.
- The survey, with other regular snapshots, confirmed to us that our customers were unhappy with the mobilisation of our new repairs contracts. Service improvement plans with our contractors have had a positive impact with satisfaction in the last 12 months to March 2021 up from 67% to 77%.
- 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. That work continues.
- We have reconsidered and rationalised our dashboard of indicators in the above areas to ensure consistent reporting through to Board level.

Onward is developing the ways in which it measures customer satisfaction and is supportive of the proposals in the Housing White Paper for tenant satisfaction measures. We are developing other surveys measures alongside this that allow us to understand our customers views and involve them in improving our services and these providing better value. Onward has over 2500 actively engaged customers who assist us with shaping our services, communicating well and what happens in our neighbourhoods. We have improved the learning and feedback from customers enquires and complaints as any way of us continuing to hear what our customers want and get better.

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 continued to be excellent throughout the pandemic. 7 of our 9 key income targets on collection have been exceeded and 2 are within 0.1% of target. Current tenant arrears, in particular, are 1% lower than our internal target.

Lettings performance has been challenging but we continue to see good void rent loss performance ahead of target, but relet times are below target and require improvement.

Responsive repairs performance continues to improve but still represents a significant challenge. We continue to engage positively with our contractors as we seek further improvement towards our shared targets.

Compliance delivery continues to be effective within a strong control environment. Considerable catch up work has been delivered, particularly in the area of fire risk assessments. With an improved control and reporting environment procurement of these services has focussed on best price as well as capacity. Indications are that we continue to get value for money in this area.

Staffing resource indicators (sickness and turnover) are positive, and our colleagues are well motivated to succeed. Short term sickness levels are at half our target, and turnover rates are lower. Lower turnover, thereby retaining trained experienced staff, is a key element of value for money in our greatest resource.

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 £900,000 in the procurement programme for 2020/21 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.

Much of our underlying cost base is still reflective of our drive to improve performance. To understand what we are achieving with that level of resource 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, to grow where we can make a positive difference. Our new plan, modified to reflect the business impact of the coronavirus and our restructured finance, includes 10 years of prudent and sustainable growth and underpins our latest affordable homes programme bid.

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 have also worked throughout the year with the regional scrutiny boards to identify opportunities to improve services and to improve VfM and publish quarterly performance updates to customers. Digital engagement progress as a result of Covid-19 has led us to more recently combine regional scrutiny boards into one single Onward board.

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. The asset performance evaluation (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 APE model assumptions are reviewed from time to time to ensure they are consistent with our wider financial planning. This year we also engaged Savills to independently review the model to bring further confidence to our strategic planning.

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 2019/20 and tells us that the overall performance of our assets continues to be satisfactory against our targets. Positive influences have included recent investment which reduces the amount required looking forward for the next 30 year period, reduced void loss/ costs. We do not anticipate expenditure on repairs falling, our focus will be achieving greater value from the money we do spend by improving the quality of service our customers receive and adopting a more proactive approach that will reduce waste and improve efficiency. These areas will continue to be a key focus for value for money improvement, together with the following initiatives:

a) We will continue to develop specific strategies for individual neighbourhoods which may produce amber/low green APE results but 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.

b) A remaining 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.

What the RSH metrics tell us

The table below compares our performance, using the Regulator of Social Housing's VfM Standard metrics, against a self selected peer group.

Social housing provider 19/20 accs	Total housing stock owned	Reinvestment %	New supply (social)	New supply (non social)	Gearing	EBITDA MRI interest rate cover	Headline social housing cost/unit (£'000)	Operating margin (SHL)	Operating margin (overall)	ROCE
THG	35,326	6.5%	1.1%	0.03%	49.2%	131.0%	3.59	19.0%	17.6%	3.5%
Gentoo Group	28,900	4.3%	0.5%	0.55%	49.8%	100.2%	3.49	20.9%	15.6%	2.5%
Home Group	50,413	6.5%	2.4%	0.31%	46.0%	207.3%	4.41	23.6%	16.0%	3.1%
Citizen Housing Group	28,131	5.4%	1.3%	0.05%	45.3%	154.5%	3.39	20.8%	21.8%	3.1%
Walsall Housing Group	20,639	13.8%	2.1%	0.08%	63.3%	138.6%	3.47	32.5%	25.5%	6.1%
Wakefield and District Housing	31,632	5.6%	1.3%	0.00%	55.4%	31.8%	3.19	21.9%	19.5%	8.8%
The Riverside Group	53,078	10.2%	1.1%	0.16%	43.6%	144.7%	4.77	12.6%	15.4%	2.6%
Stonewater	30,011	7.0%	2.3%	0.00%	45.8%	159.8%	3.22	30.8%	27.8%	4.0%
Karbon Homes	25,784	9.4%	1.9%	0.15%	42.4%	234.2%	3.10	29.5%	23.7%	3.8%
Onward Group	**29,084**	**4.0%**	**0.5%**	**0.00%**	**23.1%**	**199.0%**	**3.60**	**20.2%**	**17.3%**	**2.6%**
Thirteen Housing Group	32,907	7.9%	1.2%	0.02%	24.0%	200.6%	3.65	28.9%	18.7%	3.2%

Top level comparisons up to 2020 show a clear pattern:

- Our level of reinvestment at 4.0% reduced marginally and remains in lower quartile. Our new supply completions in 2020 has remained stubbornly at 0.5% same as previous years and reinvestment over the next 5 years will rise and stabilise 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 again typical of our peer group in 2020, but our latest plans see it move ahead 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.

- Interest cover took a big hit 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 and loan break costs in 2021/22, although this is mitigated in the 30 year business plan by the new, low interest rate locked in by the 32 year bond. Sales performance in years 3 and 4 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 and means we are well positioned to identify further growth opportunities.
- Our operating margin is lower than our best-performing peers, though it is apparent that margins are under pressure across the sector with common operational challenges including compliance work. In our current plan, based on our current cost base, the margin continues at around 18-20% over the next 5 years.
- We have a focus on improving performance and this will provide a basis from which genuine and sustainable efficiencies can be delivered. In the short-term, we will operate within the budget envelope.
- We continue to seek efficiency savings and recognise it is important that once improvement is embedded we evidence that we are as efficient at delivering our services as our peer group.

In December 2020 we received a more detailed report from Housemark of our operational performance underlying the financial performance for 2019/20, 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 reversed in 2020 while we resourced up to improve performance and that higher level of resource continues in our latest plan. The investment has paid off with voids and lettings performance all at a good level.
- Our proportion of vacant properties continues to be quartile 1 performance and is a good indicator of the overall standard of our stock.
- Our current arrears performance is quartile 4. Our investment in Rent Sense has started to help turn this around and we have seen an improvement, firstly evidenced by a reduction year on year, and then evidenced by a maintenance of that improvement through Covid-19.
- Repairs costs and performance are still not where we want them to be. Improvement plans are in place and we have achieved an upturn in customer satisfaction. This work will continue.

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

Looking forward at our key priorities for 2021/22

Last year we stated that 2020/21 would be a year of delivery, particularly in customer service improvements. Our performance during the Covid-19 emergency, and the impact evidenced from our customer satisfaction surveys, from our operational indicators, and from our sector scorecard position, tells us that a continuing period of embedment and service improvement is required. For this reason our corporate projects will continue to focus on:

a) Modernisation – improving access to all systems to improve customer service, improving workplaces and continuing our office rationalisation plan.
b) Compliance – continuing to embed delivery of major programmes e.g. fire risk assessment works.
c) Information management – improving data management and analysis to support for example better income collection.
d) Strategy – continuing our work to evaluate the performance of different products and future investment requirements – in particular the Preston Queen Street estate.
e) Development and regeneration – building more homes and developing plans to regenerate key areas.

The Covid-19 emergency has had an impact on our short-term delivery plans. But our initial stress testing, based on significant reductions in rent and service charge income and the management of the timing of investment programmes, assured us that our 3 key objectives remained relevant and targeted improvements could be delivered. Our performance has held up extremely well during this period, better than our early predictions, and we anticipate a period of continued service improvement and growth through our investment plans – and continuing improvement in value for money.

Strategic report

The strategic report including the operating and financial review was approved by the Board on 22nd September 2021 and signed on its behalf by:

Catherine Farrington
Company Secretary
Renaissance Court, 2 Christie Way, Didsbury, Manchester M21 7QY

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 2021.

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. Onward Group has a unitary board with both non-executive and executive directors appointed as Board members.

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

Non-executive directors have a contract for services which set out terms and obligations for their appointment.

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

As part of ensuring the health and safety of our tenants the Society has committed to spend of c.£4.0m towards the Quadrant cladding remediation works in 2021/22 and 2022/23. An application for government grant has been made for the full amount of these works

Donations

The Group made charitable donations totalling £186k in the year (2020: £nil). £150k was donated to the Walton Road Community Shop and £36k to Open kitchen. 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 is 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 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.

Going concern

The Group's business activities, its current financial position (net assets of £391.0m; (restated 2020 £388.1m) 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 £682m (2020: £341m), of which £235m is undrawn (2020: £39m). These facilities include £135m of retained Bond which has not been drawn down. Cash and cash equivalents is £183.2m (2020: £52.8m) which provide adequate resources to repay the £128m of breakage costs and loans due to be settled in April 21 following the Contour Homes amalgamation. The available cash is also adequate 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 can service these debt facilities whilst continuing to comply with lenders' covenants.

The long-term debt facilities at March 2021 reflect the issue of a public bond of £350m, of which £215m was drawn in March 2021.

The majority of the bond proceeds were used to settle the existing loan debt of Contour Homes Ltd in April 21 with the goals for re-finance being,

- to consolidate the borrowing of Contour into Onward Homes via a transfer of engagements,
- align the bank loan covenants in the portfolio,
- increase the level of fixed debt, and
- refinance some other loans with less attractive terms.

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 several scenarios using multiple variants to test the resilience of the business plan. The Group is confident it can meet the requirements of any loan covenants and can put in place measures, if necessary, to address any unforeseen challenges if required. The Group has sufficient cash and undrawn facilities to cope with this impact.

Most of the 2020/21 year has seen the Group operate under some form of Government restrictions because of the Covid-19 outbreak. The Group is moving to full operational service delivery as government restrictions are eased. Any long-term impact of Covid-19 and 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.

The transfer of engagements provides greater borrowing capacity within Onward Homes to support business objectives and unforeseen challenges.

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities of £235m (2020: £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.

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 2021. 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 2020-21 at its meeting in June 2021.

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 22nd September 2021 and signed on its behalf by:

C Farrington

Catherine Farrington

Company Secretary

Renaissance Court, 2 Christie Way, Didsbury, Manchester M21 7QY

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of Onward Group Limited

Opinion on the financial statements

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 2021 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2019.

We have audited the financial statements of Onward Group Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2021 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in reserves, the consolidated 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).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit opinion is consistent with the additional report to the audit committee.

Independence

Following the recommendation of the audit committee, we were appointed by the board in September 2019 to audit the financial statements for the year ending 31 March 2020, 31 March 2021 and 31 March 2022.

The current period of total uninterrupted engagement including retenders and reappointments is two years, covering the years ended 31 March 2020 to 31 March 2021.

We remain independent of the Group and the Parent 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 as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services prohibited by that standard were not provided to the Group or the Parent Association.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Board's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Board's assessment of the Group and the Parent Association's ability to continue to adopt the going concern basis of accounting included:

- Assessment of the internal forecasting process to confirm the projections are prepared by appropriate personnel that are aware of the detailed figures in the forecast but also have a high level understanding of the entity's market, strategy and profile in the customer base, and the potential impact that COVID-19 might have on these projections.
- Obtaining and assessing the availability of financing facilities, including the nature of facilities, repayment terms and financial covenants. We considered management's financial covenant compliance calculations through to March 2023 and concluded on the consistency of such calculations with the ratios stated in the relevant lender agreements.

- Consideration of the forecasts prepared by management and challenge of the key assumptions based on our knowledge of the business. As referred to in basis of preparation note, management have modelled reasonably possible downside scenarios to incorporate the expected impact of the COVID-19 pandemic. We have considered the appropriateness of the downside scenarios in respect of the impact of COVID-19 and challenged management to confirm that they have suitably addressed the inputs, which are most susceptible to change, including those in respect of revenue, margins and cost savings.
- We challenged management on the suitability of the mitigating actions identified by management in their assessment and the quantum and period ascribed to these mitigating actions. Scenarios modelled by management include a reverse stress test to analyse the current estimates of rent collection, property sales and maintenance and development spend that could be sustained without breaching banking covenants. We challenged the assumptions used and mitigating actions included within this scenario and reviewed the reverse stress test calculations.
- We considered the adequacy of the disclosures in the financial statements against the requirements of the accounting standards and consistency of the disclosure against the forecasts and stress test scenario.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Board with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	A full scope statutory audit was carried out for each subsidiary of the Group.
Key audit matters	Accounting for the Bond Issue
Materiality	Group financial statements as a whole £1.92m (2020: £18.4m) based on 6% (2020: 1.5%) of adjusted operating surplus as defined by the entities lending covenants for 2021 and of group total assets for 2020 respectively.

An overview of the scope of our audit
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Board that may have represented a risk of material misstatement.
A full scope statutory audit was carried out for each subsidiary that we considered to be a significant component of the group. Audit work on all components was performed by BDO UK both for the purposes of reporting on the individual financial statements and for group/consolidation purposes.

We identified two components which, in our view required an audit of their complete financial information due to their size or risk characteristics and were therefore considered to be significant components.

Onward Homes Limited and Contour Homes Limited were identified as a significant components due to their risk characteristics and size in comparison to the group.

Key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How the scope of our audit addressed the key audit matter

Accounting for the bond issue Note 2 and 23 cover the relevant accounting policy and disclosures	Onward Homes Limited issued £350m of listed bonds in March 2021, of which £215m were drawn as at 31 March 2021, resulting in listed debt obligations recognised on the Group year-end balance sheet. The risk is related to the valuation of the bonds at year-end and the compliance of the accounting treatment for this transaction with the relevant accounting standard, which if incorrect could give rise to a material misstatement in the financial statements. As this is a non-recurring and significant transaction there is a risk that the bond sale has not been accounted for and disclosed correctly and was therefore a key audit matter.	We have obtained all formal signed documentation behind the bond issue from management, and noted management have understood all terms and conditions with respect to the recognition of the bonds at year-end. We have assessed the valuation of the listed debt at year-end through agreement to the London Stock Exchange and performed re-calculations of any premiums received, interest accrued and expenses in the year related to the bonds to ensure these were accounted for correctly. We have assessed the repayment of any loans resulting from the funds received from the bond issue and traced these repayments to third party support. We have challenged the costs incurred in relation to the bond issue and assessed the accounting treatment of these costs at year-end. We have challenged the disclosures in relation to the accounting policies and key judgments and estimates in this area in the group financial statements. Key observations: Based on the evidence obtained we did not identify any indications that the accounting for the bond issue or its disclosure were inappropriate.

Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		**Parent Association financial statements**	
	2021 £m	2020 £m	2021 £m	2020 £m
Materiality	1.92	18.4	0.14	1.7
Basis for determining materiality	For 2021, the basis was 6% of an adjusted operating surplus as defined by the entities lending covenants. For 2020, basis was on 1% of group total assets at year-end.			
Performance materiality	1.34	13.0	0.1	1.3
Basis for determining performance materiality	70% (2020: 75%)			

Rationale for the materiality benchmark applied
Management reports its performance to key stakeholders and monitors the business based adjusted operating surplus as defined by the loan covenants. The adjustments made to operating surplus were the add-back of housing property depreciation, less grant amortisation, loss on fixed asset disposals and capitalised repairs. It is therefore appropriate to adjust materiality in order to respond to the risk of covenant breach. We have used this benchmark as we considered it to be the area of the financial statements with the greatest interest to the principle users and the area with the greatest impact on investor and lender decisions.

Specific materiality

We also determined that for 2020, a misstatement of less than materiality for the financial statements as a whole, specific materiality, could influence the economic decisions of users. As a result, we determined materiality for these items based on 7.5% of adjusted operating surplus. We further applied a performance materiality level of 75% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated.

Component materiality
A full scope statutory audit was carried out for each subsidiary. We set materiality for each component dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £18k to £1,200k. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold
We agreed with the audit committee that we would report to them all individual audit differences in excess of £58k (2020: £555k). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information
The board are responsible for the other information. The 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. Our responsibility is to read the other information including the Strategic Report and Board 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.

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

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

Responsibilities of the board
As explained more fully in the board members responsibilities statement set out on page 26, 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.

Extent to which the audit was capable of detecting irregularities, including fraud are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the Group and the sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to their registration with the Regulator of Social Housing, and we considered the extent to which non-compliance might have a material effect on the Group Financial Statements or their continued operation. We also considered those laws and regulations that have a direct impact on the financial statements such as compliance with the Accounting Direction for Private Registered Providers of Social Housing and tax legislation.

In addition the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: data protection and health and safety legislation. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Trustees and other management and inspection of regulatory and legal correspondence if any.

Audit procedures performed by the engagement team included:

- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading minutes of meeting of those charged with governance, reviewing correspondence with HMRC and the other regulators;
- Reviewing items included in the fraud and theft database;
- In addressing the risk of fraud through management override of controls; testing the appropriateness of journal entries and other adjustments, in particular any journals posted by senior management, privileged users or with unusual account combinations;
- Challenging assumptions made by management in their significant accounting estimates and judgements in particular in relation to the following:
    - Whether indicators of impairment exist
    - Recoverable amount of housing properties
    - Whether the tests for recognising provisions are met
    - Capitalisation of development costs
    - Appropriate allocation of costs between tenure types and between first and subsequent shared ownership tranches
    - Useful expected lives of housing property components
    - Assumptions used in pension and investment property valuations
    - Depreciated replacement cost of properties with impairment indicators
    - Any bias in accounting estimates

- We also performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

Hamid Ghafoor

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BDO LLP
Statutory Auditor
Manchester, UK
22nd September 2021

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

FINANCIAL STATEMENTS

Statement of Comprehensive Income
for the year ended 31 March 2021

	Notes	Group 2021 £'000	Group Restated 2020 £'000	Association 2021 £'000	Association 2020 £'000
Turnover	3	**156,119**	155,764	**8,077**	7,996
Cost of sales	3	**(5,462)**	(4,969)	**-**	-
Operating costs	3	**(122,946)**	(122,397)	**(8,057)**	(7,961)
(Loss)/gain on disposal of housing properties	3 and 6	**(399)**	3,001	**-**	-
Operating surplus	7	**27,312**	31,399	**20**	35
Share of operating loss in Joint venture		**(112)**	(38)	**-**	-
Gain/(loss) on disposal of other tangible fixed assets	10	**3,091**	(548)	**-**	-
Interest receivable and similar income	11	**2,704**	2,732	**1**	3
Interest payable and similar charges	12	**(12,412)**	(14,665)	**-**	-
Surplus on ordinary activities before taxation		**20,583**	18,880	**21**	38
Taxation on surplus on ordinary activities	13	**355**	(187)	**103**	(279)
Surplus for the year after taxation		**20,938**	18,693	**124**	(241)
Other comprehensive income/(loss)					
Actuarial (loss)/gain in respect of pension schemes	37	**(17,977)**	18,747	**-**	-
Other comprehensive (loss)/income for the year		**(17,977)**	18,747	**124**	-
Total comprehensive income for the year		**2,961**	37,440	**124**	(241)

The accompanying notes form part of these financial statements.

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

The financial statements were approved by the Board on 22nd September 2021 and signed on its behalf by:

Neil Goodwin
Non-executive Chair

Bronwen Rapley
Chief Executive

Catherine Farrington
Company Secretary

FINANCIAL STATEMENTS

Group Statement of Changes in Equity

	Non-equity share capital £'000	Revenue reserves £'000	Total reserves £'000
Balance as at 31 March 2019 as previously reported	-	352,778	**352,778**
Prior year adjustment (note 40)		(2,145)	**(2,145)**
Balance as at 31st March 2019 restated	-	350,633	**350,633**
Total comprehensive income for the period			
Surplus for the year	-	16,977	**16,977**
Other comprehensive income			
- Actuarial loss on pension scheme	-	18,747	**18,747**
Balance at 31 March 2020	-	386,357	**386,357**
Prior year adjustment (note 40)	-	1,715	**1,715**
Balance as at 31st March 2020 restated	-	388,072	**388,072**
Total comprehensive income for the period			
Surplus for the year	-	20,938	**20,938**
Other comprehensive income	-	-	**-**
- Actuarial gain on pension scheme	-	(17,977)	**(17,977)**
Balance at 31 March 2021	-	391,033	**391,033**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Financial Position

as at 31 March 2021

	Notes	Group 2021 £'000	Group Restated 2020 £'000	Association 2021 £'000	Association 2020 £'000
Tangible fixed assets					
Housing properties	14	**1,086,373**	1,071,203	**-**	-
Investments including properties	15	**16,409**	15,939	**-**	-
Other tangible fixed assets	16	**16,797**	17,988	**790**	820
		1,119,579	1,105,130	**790**	820
Current assets					
Debtors due after one year	17	**3,597**	1,948	**-**	-
Properties for sale and work in progress	18	**21,696**	20,190	**-**	-
Debtors due within one year	19	**13,225**	12,816	**6,036**	10,604
Investments	20	**50**	50	**-**	-
Cash and cash equivalents		**183,314**	52,805	**2,663**	735
		221,882	87,809	**8,699**	11,339
Creditors: amounts falling due within one year	21	**(51,767)**	(73,583)	**(9,965)**	(13,433)
Net current assets/(liabilities)		**170,115**	14,226	**(1,266)**	(2,094)
Total assets less current liabilities		**1,289,694**	1,119,356	**(476)**	(1,274)
Creditors: amounts falling due after one year	22	**(868,700)**	(716,389)	**(1,788)**	(833)
Provisions for liabilities and charges	28	**(1,443)**	(1,289)	**-**	(283)
Pension liabilities	29	**(28,518)**	(13,606)	**-**	-
		(898,661)	(731,284)	**(1,788)**	(1,116)
Total net assets/(liabilities)		**391,033**	388,072	**(2,264)**	(2,390)
Capital and reserves					
Non-equity share capital	30	**-**	-	**-**	-
Revenue reserves	-	**391,033**	388,072	**(2,264)**	(2,390)
Total capital and reserves		**391,033**	388,072	**(2,264)**	(2,390)

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 22nd September 2021 and signed on its behalf by:

Neil Goodwin
Non-executive Chair

Bronwen Rapley
Chief Executive

Catherine Farrington
Company Secretary

Group Statement of Cash Flows
for the year ended 31 March 2021

	Notes	2021 £'000	2020 £'000
Net cash generated from operating activities	35	**36,609**	35,290
Cash flow from investing activities			
Purchase and construction of tangible fixed assets		**(51,871)**	(42,399)
Purchase of other tangible fixed assets		**(588)**	(1,716)
Proceeds from sale of tangible fixed assets		**11,621**	13,047
Grants received		**5,710**	9,973
Grant paid		**(1.168)**	-
Loan to Joint Venture Activity		**(191)**	(533)
Interest received		**330**	155
Net cash from investing activities		**(36,157)**	(21,473)
Cash flow from financing activities			
Interest paid		**(9,754)**	(11,926)
New loans		**209,233**	20,298
Repayment of existing borrowing		**(69,422)**	(17,749)
Movement in cash deposits and investments		**-**	1,473
Net cash from financing activities		**130,057**	(7,904)
Net change in cash and cash equivalents		**130,509**	**5,913**
Reconciliation of cashflow and cash equivalents			
Cash and cash equivalents at start of year		**52,805**	46,892
Increase/(decrease) in cash in the year		**130,509**	5,913
Cash and cash equivalents at end of year		**183,314**	52,805

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 Renaissance Court, 2 Christie Way, Didsbury, Manchester M21 7QY.

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

The Group's structures and governance continue to evolve in order to achieve the optimal organisation for delivery of the strategic objectives. On 1 April 2021, Contour Homes Limited transferred its engagements into Onward Homes Limited. This completed the consolidation of all of Onward's social landlord activity into one organisation – a project which has taken many years.

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 2018 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2019.

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 2021.

2. Accounting policies (cont'd)

b) Measurement convention

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

c) Going concern

The Group's business activities, its current financial position (net assets of £391.0m; (restated 2020 £388.1m) 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 £682m (2020: £341m), of which £235m is undrawn (2020: £39m). These facilities include £135m of retained Bond which has not been drawn down. Cash and cash equivalents is £183.2m (2020: £52.8m) 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 can service these debt facilities whilst continuing to comply with lenders' covenants.

The long-term debt facilities at March 2021 reflect the issue of a public bond of £350m, of which £215m was drawn in March 2021.
The majority of the bond proceeds were used to settle the existing loan debt of Contour Homes Ltd with the goals for re-finance being,

- to consolidate the borrowing of Contour into Onward Homes via a transfer of engagements,
- align the bank loan covenants in the portfolio,
- increase the level of fixed debt, and
- refinance some other loans with less attractive terms.

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 several scenarios using multiple variants to test the resilience of the business plan. The Group is confident it can meet the requirements of any loan covenants and can put in place measures, if necessary, to address any unforeseen challenges if required. The Group has sufficient cash and undrawn facilities to cope with this impact.
Most of the 2020/21 year has seen the Group operate under some form of Government restrictions because of the Covid-19 outbreak. The Group is moving to full operational service delivery as government restrictions are eased. Any long-term impact of Covid-19 and 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.

The transfer of engagements provides greater borrowing capacity within Onward Homes to support business objectives and unforeseen challenges (see note 40).

Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities of £235m (2020: £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.

2. Accounting policies (cont'd)

Estimates and assumptions will, by definition, seldom equal the related actual results. These are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable based on the information available.

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.

A review during the year has led to a reduction in the UEL of heating boilers from 30 to 15 years to better reflect the current lifecycle of the boilers. This is a change in accounting estimate and therefore requires any adjustment to be made in the current and future periods.

This results in an additional charge in year of £3.8m. We do not believe that the UELs for the other 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 norms and actual performance. We do not believe that the UELs for the components need changing and therefore remain the same.

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 classified as investment properties. These non-financial assets have been valued at fair value.

The valuation is based on either third-party 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 with 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 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution.

Impairment; In line with the impairment policy Onward undertake 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.
As Covid-19 continues to be a major feature in 2020/21 the additional considerations in 2019/20 continue to be applicable to assess whether impairment triggers are evident and if so, ascertain the level of impairment required based on best available information.
For Onward the particular areas considered were:

- Assets under construction, including Section 106 purchases;
- Completed development schemes;
- Assets/group 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.

An net impairment charge of £60,000 has been made reflecting a charge of £88,000 for land at a former Methodist church site not used and a reversal of £28,000 for units previously impaired to reflect change in market conditions.

Although there have been a couple of development schemes which indicate that they will overspend on budget, when measuring this against sell price the costs are still lower and therefore no impairment is required.

2. Accounting policies (cont'd)

Also, no further decision has been made on the future demolition followed by regeneration and rebuild works of the three Preston blocks and on that basis no impairment has been applied. A number of options were considered by the Executive Team on the 3 tower blocks in Preston.

Basic financial instruments: Onward Group has various borrowings, all of which have been assessed and categorised as basic. The assessment of certain loans and interest rates fixes as basic financial instruments require judgement. The Group does not undertake any stand-alone hedging and does not deal in derivatives.
Bonds have been classed as a "basic financial instrument" as they meet the criteria under Section 11.9 of FRS 102.

Management have considered how bond and loan discount on issue should be dealt with in the financial statements and determined that these should be written off over the life of bond (32 years) using the effective interest rate method.

Management have considered how bond and loan issue costs should be dealt with in the financial statements and determined that these should be written off over the life of the respective instruments in equal annual instalments.

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 Group relies on the expert input of actuaries and accepts the estimations they use as reasonable.
Pension valuations will be affected by the impact of events on the stock markets, other asset valuations and changes to discount rates.

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 based on the age of the debt whether it is likely to be recovered, despite actions by the neighbourhood teams. Therefore, based on previous practice and knowledge of debt recovery a provision is estimated. The policy also takes into account current year considerations such as the impact of COVID-19, credit risk rates and any other condition that is present in the current period that was not present in the historic period.

Joint venture investment; the following investments are held in 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.

Brexit: The exiting from the European Union (EU) on 31.01.21 means that new regulations are now in place for movement of goods and services across the EU/UK borders. Although the Group will not be directly impacted there will be an indirect impact on pricing of labour, materials, which will in turn impact our ability to deliver services such as building homes due to lack of certain materials.

Business plan: Assumptions and factors considered in preparing and testing the business plan are within the tolerance levels previously shared with the Board. The plans are robust and resilient for the duration of the thirty years. The scenarios which show the different outcomes have all been thoroughly tested and shared demonstrating long term financial viability of Group.

Capitalisation of salaries: Within the capital cost of property, a proportion of development and investment team staff time has been included to recognise the time spent in managing and delivering the development and investment programmes. This cost is incurred as a result of the programmes and hence agreed to be capitalised. As this is a new accounting policy for year ending March 2021 impact on prior years has to be shown for comparative purposes.

2. Accounting policies (cont'd)

The overall impact is a reduced salary charge of £3.5m (£1.8m current year through the SCI and £1.7m prior years through reserves adjustment) and increase in housing fixed asset cost in Statement of Financial Position (SoFP) of £3.5m (£1.7m current year and £1.4m prior years). The remaining £0.4m remains on the SoFP representing schemes in work in progress.

Prior year adjustments

The accounts show a couple of changes,

a) Reflect introduction of new capitalisation of development and investment team staff salaries policy, and
b) A correction of an accounting error relating back to 2017.

The capitalised salaries adjustment has resulted in the restatement of prior year figures impacting both the Statement of Comprehensive Income and Statement of Financial Position. The Hattersley write-off has impacted on the SoFP and brought forward reserves as the adjustment is being treated as though it was corrected in 2017.These are reflected in the relevant disclosure notes where applicable.

The capitalisation of salary impact is detailed above under the accounting policy section. With regards to the accounting error, this relates to costs relating to the demolition of site and old components being inappropriately held on the balance sheet since 2017. Grant relating to this project had also been incorrectly held on the balance sheet.

These costs should have been written off in that year and the grant released. The adjustment seeks to correct the original treatment. Net impact on the SCI is a charge of £2.15m, all prior year. A full breakdown of the prior year adjustment impact has been included in note 40.

Judgements and estimates are made to agree a reasonable level of staff costs which should be considered for capitalisation based on development and investment programme amounts for the year and sector practice. These will be reviewed annually to ensure reasonableness of allocation.

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, bonds and similar debt instruments.

Bonds are classed as a "basic financial liability" as they meet the criteria for "basic financial instruments" under Section 11.9 of FRS 102. They are initially recognised at the transaction price, including any discount on issue and transaction costs, and subsequently measured at amortised cost using the effective interest method. Coupons payable are also classed as "basic financial liabilities" and are recognised on the basis of the effective interest method, and are included in the finance costs, with any discount on issue and transaction costs being written off over the life of the bond.

The Group does not have any financial instruments which fall into the non basic financial instrument category. The Group does not undertake any hedging activities and does not deal in derivatives.

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.

2. Accounting policies (cont'd)

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 up to 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.

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.

2. Accounting policies (cont'd)

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 includes 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.

The capital cost of property includes a proportion of development and investment team staff time to recognise the time spent in managing and delivering the development and investment programmes. This cost is incurred as a result of the programmes and hence capitalised.

Depreciation

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

Housing structure	100 years
Boundary walls and car hard-standings	50 years
Roofs	50 years
Windows	30 years
Electrical installation	30 years
Bathrooms	30 years
Fascia	40 years
External doors	30 years
Boilers	15 years
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.

2. Accounting policies (cont'd)

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.

o) Shared equity investments

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

p) 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.

2. Accounting policies (cont'd)

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.

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

2. Accounting policies (cont'd)

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.

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.

2. Accounting policies (cont'd)

Defined benefit plans

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

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

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

Re-measurement of the net defined benefit liability/asset is also recognised in the statement of comprehensive income.
The Group participates in three defined benefit plans as set out below:

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

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.

z) Basis of consolidation

The Group accounts consolidate the accounts of the Association and all it's subsidiaries at 31st March as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

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

	Group							
	2021				Restated 2020			
	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	**105,369**	**-**	**(82,189)**	**23,180**	106,786	-	(84,538)	22,248
Older persons housing	**20,109**	**-**	**(16,826)**	**3,283**	19,165	-	(14,586)	4,579
Supported housing	**13,298**	**-**	**(11,532)**	**1,766**	14,767	-	(10,778)	3,989
Low cost home ownership	**2,611**	**-**	**(3,472)**	**(861)**	3,002	(120)	(2,881)	1
Total	**141,387**	**-**	**(114,019)**	**27,368**	143,720	(120)	(112,783)	30,817
Other social housing activities								
Regeneration and development	**1,108**	**-**	**(2,120)**	**(1,012)**	343	(2)	(2,245)	(1,904)
Management services	**2,111**	**-**	**-**	**2,111**	1,988	-	(40)	1,948
Estate services	**-**	**-**	**(752)**	**(752)**	-	-	(968)	(968)
Shared Ownership first tranche sales	**5,514**	**(5,462)**	**-**	**52**	5,268	(4,835)	-	433
Other	**-**	**-**	**(164)**	**(164)**	-	-	(158)	(158)
Total	**8,733**	**(5,462)**	**(3,036)**	**235**	7,599	(4,837)	(3,411)	(649)
Total social housing activities	**150,120**	**(5,462)**	**(117,055)**	**27,603**	151,319	(4,957)	(116,194)	30,168
Non-social housing activities								
Market rents	**540**	**-**	**(296)**	**244**	687	(12)	(74)	601
Revaluation of investment property	**391**	**-**	**-**	**391**	-	-	(278)	(278)
Commercial	**1,455**	**-**	**(2,155)**	**(700)**	902	-	(1,121)	(219)
Management services	**2,097**	**-**	**(1,860)**	**237**	1,714	-	(1,474)	240
Leaseholders	**1,011**	**-**	**(581)**	**430**	861	-	(2,198)	(1,337)
Other	**505**	**-**	**(999)**	**(494)**	281	-	(1,058)	(777)
Total non-social housing activities	**5,999**	**-**	**(5,891)**	**108**	4,445	(12)	(6,203)	(1,770)
Total	**156,119**	**(5,462)**	**(122,946)**	**27,711**	155,764	(4,969)	(122,397)	28,398
(Loss)/surplus on disposal of housing properties (note 6)	**-**	**-**	**(399)**	**(399)**	**3,001**	**-**	**-**	**3,001**
Total	**156,119**	**(5,462)**	**(123,345)**	**27,312**	158,765	(4,969)	(122,397)	31,399

3. Turnover, cost of sales, operating costs and operating surplus (Con't)

	Association							
	2021				2020			
	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	**7,611**	**-**	**(7,369)**	**242**	7,837	-	(7,186)	651
Other	**466**	**-**	**(688)**	**(222)**	159	-	(775)	(616)
Total non-social housing activities	**8,077**	**-**	**(8,057)**	**20**	7,996	-	(7,961)	35
Total	**8,077**	**-**	**(8,057)**	**20**	7,996	-	(7,961)	35

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 2021 £'000	Total Restated 2020 £'000
Income						
Rents receivable net of voids	**97,285**	**14,663**	**8,644**	**2,094**	**122,686**	121,573
Service charge income	**3,988**	**4,821**	**4,003**	**283**	**13,095**	13,729
Amortised government grants	**3,958**	**599**	**482**	**194**	**5,233**	7,802
Supporting people grants	**3**	**24**	**167**	**1**	**195**	437
Revenue grants	**-**	**-**	**-**	**-**	**-**	-
Other income from social housing	**135**	**2**	**2**	**39**	**178**	179
Turnover from social housing lettings	**105,369**	**20,109**	**13,298**	**2,611**	**141,387**	143,720
Expenditure						
Management	**(20,184)**	**(4,263)**	**(3,484)**	**(1,764)**	**(29,695)**	(30,312)
Service charge costs	**(5,482)**	**(4,461)**	**(2,754)**	**(223)**	**(12,920)**	(12,298)
Routine maintenance	**(22,403)**	**(3,437)**	**(1,746)**	**(267)**	**(27,853)**	(24,660)
Planned maintenance	**(14,649)**	**(2,178)**	**(1,550)**	**(631)**	**(19,008)**	(19,749)
Major repairs expenditure	**(1,026)**	**(152)**	**(148)**	**(13)**	**(1,339)**	(727)
Rent losses from bad debts	**(769)**	**(82)**	**(129)**	**(30)**	**(1,010)**	(2,440)
Depreciation of housing properties	**(17,615)**	**(2,253)**	**(1,719)**	**(369)**	**(21,956)**	(24,319)
Housing impairment charge/(reversal) (note 14)	**(61)**	**-**	**-**	**-**	**(61)**	1,869
Other costs	**-**	**-**	**(2)**	**(175)**	**(177)**	(267)
Total expenditure on lettings	**(82,189)**	**(16,826)**	**(11,532)**	**(3,472)**	**(114,019)**	(112,903)
Operating surplus on letting activities	**23,180**	**3,283**	**1,766**	**(861)**	**27,368**	30,817
Void losses	**(1,161)**	**(342)**	**(1,718)**	**(7)**	**(3,228)**	(2,235)

5. Accommodation owned, managed and under development

	Group 2021 Number	Group 2020 Number
The number of properties in ownership at the year-end were:		
General needs accommodation (social rent)	**20,429**	20,328
General needs accommodation (affordable rent)	**1,787**	1,721
Older persons housing	**3,865**	3,869
Supported housing	**1,799**	1,860
Low-cost home ownership	**1,035**	919
	28,915	28,697
The number of properties in ownership but managed by others at the year-end were:		
Supported housing	**250**	202
Total homes owned	**29,165**	28,899
Accommodation managed by other bodies	**(250)**	(202)
Accommodation managed for other bodies / owner occupiers	**893**	989
Leasehold	**5,268**	5,252
Total homes managed	**35,076**	34,938
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	**616**	247
Rent to buy home ownership	**15**	15
Open market sales	**326**	-
Supported housing	**127**	48
Low-cost home ownership	**386**	124
	1,470	434

6. Disposal of housing properties

	Group	
	2021 £'000	2020 £'000
Disposal proceeds from property sales	**4,805**	6,436
Proceeds from land sales	**5**	-
Total proceeds	**4,810**	6,436
Carrying value of fixed assets from property sales	**(2,724)**	(3,018)
Costs on disposal	**(2,485)**	(417)
(Loss)/gain on disposal of housing properties	**(399)**	3,001

	2021 Number	**2020 Number**
Analysis of housing property sales		
Preserved Right to Buy sales	**25**	32
Right to Acquire sales	**14**	24
Shared ownership staircasing	**12**	42
Other sales	**20**	5
	71	103

7. Operating surplus

	Group		Association	
Operating surplus is stated after charging:	**2021 £'000**	Restated 2020 £'000	**2021 £'000**	2020 £'000
Depreciation of housing properties (note 14)	**21,956**	21,634	**-**	-
Depreciation of other fixed assets (note 16)	**888**	726	**30**	31
Amortisation of intangible assets (note 14)	**-**	79	**-**	-
Impairment of housing properties (note 14)	**88**	56	**-**	-
Loss/(gain) on disposal of housing properties (note 6)	**399**	(172)	**-**	-
(Gain)/loss on disposal of other tangible fixed assets (note 10)	**(3,091)**	548	**-**	-
Amortisation of government grant (note 25)	**(5,987)**	(7,231)	**(76)**	(30)
Revaluation of investment properties (note 15)	**391**	(278)	**-**	-
Pension adjustments (Note 35)	**(3,349)**	(3,213)	**-**	-
Auditor's remuneration (excluding VAT):				
In their capacity as auditor	**140**	94	**140**	94
In respect of other services	**31**	-	**31**	-
Operating lease receipts (note 29)	**(704)**	(520)	**-**	-
Operating lease payments (note 29)	**730**	480	**-**	-

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.	**2021 £'000**	2020 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	**146**	135
The aggregate emoluments paid to or receivable by executive directors and former executive directors (including pension contributions and benefits in kind)	**919**	736
The aggregate amount of pension contributions in respect of services as directors	**108**	85
The aggregate compensation paid to or receivable by executive directors or past directors in respect of loss of office (whether by retirement or otherwise)	**125**	-
The emoluments paid to the highest paid director (excluding pension contributions but including benefits in kind)	**240**	215
Pension contributions for the highest paid director	**22**	19

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 £206k (2020: £209k) made up as salary £186k (2020: £190k) and pension £20k (2020: £19k).

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	
	2021 £'000	2020 £'000
R Barber	**16**	16
W Dignan	**21**	16
N Goodwin	**33**	33
W Hewish	**16**	16
P High	**16**	16
B Roebuck	**19**	19
M Verrier	**19**	19
D Burgher	**6**	-

9. Employee information

	Group		Association	
	2021 Number	2020 Number	**2021 Number**	2020 Number
Average number of employees (including executive directors) expressed as full time equivalents (based on an average of 35 hours per week)	**884**	840	-	-

	Group		Association	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Staff costs (for the above persons)				
Wages and salaries	**26,971**	26,365	**-**	-
Social security costs	**2,593**	2,571	**-**	-
Other pension costs	**3,254**	2,456	**-**	-
Defined benefit scheme pension adjustments	**-**	-	**-**	-
Severance payments	**237**	284	**-**	-
	33,055	31,676	**-**	-

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	**2021 £'000**	2020 £'000
£60,000 and £69,999	**13**	16
£70,000 and £79,999	**14**	10
£80,000 and £89,999	**9**	6
£90,000 and £99,999	**2**	5
£100,000 and £109,999	**2**	4
£110,000 and £119,999	**3**	-
£120,000 and £129,999	**2**	2
£150,000 and £159,999	**-**	1
£170,000 and £179,999	**-**	1
£180,000 and £189,999	**2**	1
£200,000 and £209,999	**1**	1
£240,000 and £249,999	**1**	-

10. Disposal of other tangible fixed assets

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Disposal proceeds from other fixed assets	**4,119**	-	**-**	-
Carrying value of other fixed assets	**(1,028)**	(548)	**-**	-
Gain/(loss) on disposal of other fixed assets	**3,091**	(548)	**-**	-

The proceeds in the year reflects the disposal of the Hanover Street office.

11. Interest receivable and similar income

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank and building society interest	**24**	434	**1**	3
Interest income on net defined benefit plan assets (note 38)	**2,374**	2,240	**-**	-
Joint venture loan interest	**304**	28	**-**	-
Other interest and dividends	**2**	30	**-**	-
	2,704	2,732	**1**	3

12. Interest payable and similar charges

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Interest payable on bank and building society loans	**8,259**	8,850	**-**	-
Interest payable on bond	**77**	-	**-**	-
Amortised Bond arrangement fees	**1**	-	**-**	-
Interest payable on other loans	**1,801**	2,329	**-**	-
Amortised loan arrangement fees	**289**	418	**-**	-
Loan administration fees	**31**	27	**-**	-
Loan security costs	**37**	89	**-**	-
Non utilisation fees	**181**	214	**-**	-
Interest expense on net defined benefit liabilities (note 38)	**2,658**	3,037	**-**	-
	13,334	14,964	**-**	-
Capitalised interest	**(922)**	(299)	**-**	-
	12,412	14,665	**-**	-

Interest has been capitalised at 3.8% (2020: 3.2%) per annum, the average cost of borrowing, or is based on a specific loan facility used to fund the development.

13. Taxation

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
UK corporation tax				
Current tax charge for the year	**-**	72	**-**	72
Adjustment in respect of previous years	**(103)**	207	**(103)**	207
	(103)	279	**(103)**	279
Deferred tax				
Origination and reversal of timing differences	**(279)**	(90)	**-**	-
Adjustments in respect of previous years	**27**	-	**-**	-
Effect of tax change on opening balance	**-**	(2)	**-**	-
	(252)	(92)	**-**	-
Total tax on surplus on ordinary activities	**(355)**	187	**(103)**	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% (2020: 19%). The differences are explained below:

	Group		Association	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities before taxation	**20,583**	17,164	**21**	38
Current tax at standard corporation tax rate	**3,911**	3,261	**4**	7
Effects of tax free income due to charitable activities	**(4,387)**	(3,591)	**-**	-
Fixed asset differences	**-**	(13)	**6**	-
Expenses not deductible for tax purposes	**9**	60	**2**	65
Group relief surrender / claim for no payment	**-**	-	**-**	-
Income not taxable for tax purposes	**(14)**	-	**(14)**	-
Adjustments in respect of prior periods	**(75)**	207	**(103)**	207
Loss carry back	**-**	-	**(79)**	-
Tax rate differences on deferred tax	**-**	1	**-**	-
Deferred tax not recognised	**201**	256	**81**	-
JV income not taxable	**-**	7	**-**	-
Total tax charge on surplus on ordinary activities	**(355)**	188	**(103)**	279

As of 31 March 2021, the main rate of Corporation tax in the UK was 19%. This was due to fall to 17% on 01 April 2020 but a change to keep the rate at 19% was announced in the Budget in March 2020 and substantively enacted on 17 March 2020. In the 2021 Budget, it was announced that the main rate of Corporation tax will increase from the current rate of 19% to 25% from 01 April 2023, which was substantively enacted in the Finance Bill 2021 on 10 June 2021.

13. Taxation (cont'd)

Deferred taxation

The movement in the year is as follows:

	Group		Association	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Net tax (asset)/liability at start of the year	**(107)**	(15)	**-**	-
Difference between accumulated depreciation and capital allowances	**-**	-	**-**	-
Fixed asset timing differences	**-**	(26)	**-**	-
Unused tax losses	**(252)**	(65)	**-**	-
Other short-term timing differences	**-**	(1)	**-**	-
Net tax (asset)/liability at end of the year	**(359)**	(107)	**-**	-

In addition to the deferred tax asset above, the Group has additional unrecognised gross tax losses of £514,000 (2020: £319,000) in respect of losses carried forward, short term timing differences and accelerated capital allowances.

14. Housing properties

	Social housing propertie s held for letting £'000	Social housing properties under construction £'000	Group Completed low-cost home ownership properties £'000	Low-cost home ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2020	1,262,970	21,267	46,778	8,990	1,340,005
Prior year adjustment (note 40)	735	(2,178)	-	329	(1,114)
Restated balance as at 1st April 2020	**1,263,705**	**19,089**	**46,778**	**9,319**	**1,338,891**
Additions	12,274	25,960	-	13,637	51,871
Capitalised interest	-	567	-	355	922
Disposals	(7,665)	-	(767)	(5,103)	(13,535)
Transfer from/(to) stock	1,062	(2,626)	-	(3,682)	(5,246)
Transfer to abortive works	-	(4)	-	123	119
Transfer on completion	12,417	(12,417)	5,803	(5,803)	-
Reclassifications	(1,914)	-	1,914	-	-
At 31 March 2021	**1,279,879**	**30,569**	**53,728**	**8,846**	**1,373,022**
Depreciation					
At 1 April 2020	**(258,709)**	**-**	**(8,923)**	**-**	**(267,632)**
Charge for the year	(21,588)	-	(368)	-	(21,956)
Disposals	3,263	-	54	-	3,317
Transfers from/(to) stock	(261)	-	-	-	(261)
Reclassifications	(5,067)	-	5,067	-	-
At 31 March 2021	**(282,362)**	**-**	**(4,170)**	**-**	**(286,532)**
Impairment					
At 1 April 2020	(56)	-	-	-	(56)
Charge for the year	-	(88)	-	-	(88)
Impairment reversal	27	-	-	-	27
At 31 March 2021	(29)	(88)	-	-	(117)
Net Book Value					
At 1 April 2020	1,004,940	19,089	37,855	9,319	1,071,203
At 31 March 2021	**997,488**	**30,481**	**49,558**	**8,846**	**1,086,373**

	Group	
	2021 £'000	2020 £'000
Freeehold	**893,414**	874,844
Long leasehold	**192,959**	196,359
	1,086,373	1,071,203

Additions to housing properties in the year included improvement works to existing properties of £12,272,000 (2020: £14,466,000) and capitalised interest of £922,000 (2020: £299,000) at an average rate of 3.8% (2020: 3.2%). Expenditure on works to existing properties charged to the statement of comprehensive income totalled £46,861,000 (2020: £42,323,000).

The net book value of housing properties includes £ Nil (2020: £ Nil) in respect of assets held under finance leases.

15. Investments including properties

	Group					Association	
	Joint Venture Investment £'000	Joint venture share of profit/(loss) £'000	Investment properties £'000	Shared equity investments £'000	Total £'000	Shares in subsidiary undertaking £'000	Total £'000
At 1 April 2020	122	(38)	15,465	390	**15,939**	-	-
Additions	191	-	-	-	**191**	-	-
Share of JV loss		(112)	-	-	**(112)**	-	-
Revaluation	-	-	391	-	**391**	-	
At 31 March 2021	**313**	**(150)**	**15,856**	**390**	**16,409**	**-**	**-**

The investment in year of £191,000 relates to additional equity in the Greater Manchester Joint Venture (GMJV)(Hive). An operating loss of £112,000 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 2021 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 £15.9million, representing an increase in value of £391,000.

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

	Group	
	2021 £'000	2020 £'000
Historic costs	**12,310**	12,310
Accumulated depreciation	**(1,435)**	(1,189)
	10,875	11,121

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

16. Other tangible fixed assets

	Group			
	Freehold land and buildings £'000	Scheme equipment £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2020	21,481	4,188	1,588	27,257
Write-offs	(20)	(9)	19	(10)
Transfer to stock	(1,259)	-	-	(1,259)
Additions	321	173	94	588
Disposals	(1,389)	(212)	(339)	(1,940)
At 31 March 2021	**19,134**	**4,140**	**1,362**	**24,636**
Depreciation				
At 1 April 2020	(5,669)	(2,031)	(1,569)	(9,269)
Write-offs	-	-	(7)	(7)
Depreciation reversal*	365	-	-	365
Transfers to stock	277	-	-	277
Charge for the year	(600)	(246)	(43)	(889)
Disposals	1,133	212	339	1,684
At 31 March 2021	**(4,494)**	**(2,065)**	**(1,280)**	**(7,839)**
Net book value				
At 1 April 2020	15,812	2,157	19	17,988
At 31 March 2021	**14,640**	**2,075**	**82**	**16,797**

*During the year it was identified that the Hattersley Community Hub had been over depreciated. This was corrected in year and as such an element of the depreciation has been reversed as a current year adjustment.

	Association	
	Freehold land and buildings £'000	Total £'000
Cost		
At 1 April 2020	1,519	1,519
Additions	-	-
Disposals	-	-
At 31 March 2021	**1,519**	**1,519**
Depreciation		
At 1 April 2020	(699)	(699)
Charge for the year	(30)	(30)
Disposals		
At 31 March 2021	**729**	**729**
Net book value		
At 1 April 2020	820	820
At 31 March 2021	**790**	**790**

17. Debtors: amounts falling due after one year

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Improvement programmes (VAT Shelter)	**79**	56	**-**	**-**
Other debtors	**24**	-	**-**	**-**
Loan provided to joint venture*	**3,494**	1,892	**-**	**-**
	3,597	1,948	**-**	**-**

*The loan is repayable by CRDP 36 months after the commencement of the loan which was July 2019. Interest is accrued from day to day on the loans and is calculated at a rate of 4% per annum above the base rate.

18. Properties for sale and work in progress

	Group 2021 £'000	Group 2020 £'000
Properties under construction – low-cost home ownership	**3,231**	3,048
Completed properties – outright sales	**-**	181
Completed properties – low-cost home ownership	**2,208**	1,182
Developments under construction	**15,214**	14,933
Assets for disposal	**982**	747
Stock and components	**61**	99
	21,696	20,190

19. Debtors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	Association 2021 £'000	Association 2020 £'000
Rent and service charge arrears	**10,503**	8,036	**-**	-
Bad debt provision	**(4,986)**	(4,351)	**-**	-
	5,517	3,685	**-**	-
Trade debtors	**882**	1,381	**55**	356
Social Housing Grant and other grant receivable	**263**	635	**-**	-
Amounts owed by related parties	**-**	-	**4,678**	7,651
Amounts owed by leaseholders	**616**	485	**-**	-
Loans to joint venture	**2,076**	1,422		
Prepayments and sundry debtors	**3,306**	5,095	**1,200**	2,597
Other taxation and social security	**508**	-	**103**	-
Improvement programmes (VAT Shelter)	**57**	6	**-**	-
Deferred tax	**-**	107	**-**	-
	13,225	12,816	**6,036**	10,604

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

20. Investments

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Investments in Credit Unions	**50**	50	**-**	**-**
	50	50	**-**	**-**

In 2014/15 OHL invested £50k in 50,000 £1 non-deferring interest bearing shares in both Central Liverpool Credit Union (25,000 shares) Ltd and in Halton Credit Union Limited (25,000 shares).

21. Creditors: amounts falling due within one year

	Group		Association	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Bank and building society loans (note 24)	**12,399**	27,587	**-**	-
Other loans (note 24)	**1,520**	1,832	**-**	-
Bond issue costs	**(37)**	-	**-**	-
Issue costs (note 24)	**(137)**	(97)	**-**	-
	13,745	29,322	**-**	-
Trade creditors	**930**	2,080	**22**	-
Capital creditors and retentions	**415**	571	**-**	-
Rent and service charges received in advance	**4,766**	4,533	**-**	-
Other taxation and social security	**972**	760	**297**	101
Deferred Government Grant (note 25)	**5,479**	5,451	**30**	30
Recycled capital grant fund	**133**	-	**-**	-
Social housing grant received in advance	**2,192**	2,165	**-**	-
Accruals and deferred income	**19,263**	21,303	**1,130**	2,116
Other creditors	**830**	4,199	**-**	3,454
Amounts owed to related parties (note 31)	**-**	-	**8,486**	7,453
Amounts owed to leaseholders	**2,985**	2,914	**-**	-
Improvement programmes (VAT Shelter)	**57**	6	**-**	-
Corporation tax	**-**	279	**-**	279
	51,767	73,583	**9,965**	13,433

22. Creditors: amounts falling due after one year

	Group		Association	
	2021	Restated 2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Bank and building society loans (note 23)	**204,594**	247,286	**-**	-
Other loans (note 23)	**13,741**	24,971	**-**	-
Bond (note 23)	**215,000**	-	**-**	-
Bond discount (note 23)	**(4,416)**			
Bond issue costs (note 23)	**(1,154)**	-	**-**	-
Loan Issue costs (note 23)	**(838)**	(718)	**-**	-
	426,927	271,539	**-**	-
Capital creditors and retentions	**1,181**	558	**-**	-
Amounts owed to leaseholders*	**7,238**	7,711	**-**	-
Deferred Government Grant (note 25)	**430,676**	434,673	**760**	833
Deferred income	**1,028**	-	**1,028**	-
Recycled Capital Grant Fund	**1,571**	1,852	**-**	-
Improvement programmes (VAT Shelter)	**79**	56	**-**	-
	868,700	716,389	**1,788**	833

*This balance represents cash from leaseholder used to fund works to leasehold properties.

23. Debt analysis

	Group	
	2021 £'000	**2020 £'000**
Bank and Building Society loans	**216,993**	274,873
Other loans	**15,261**	26,803
Bond	**215,000**	-
Bond discount	**(4,416)**	-
Bond Issue Costs	**(1,191)**	-
Loan Issue costs	**(975)**	(815)
	440,672	300,861

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 2021 interest rates chargeable varied from 0.72% to 11.67%.

In line with the agreed treasury strategy £182.6m of the bond proceeds were used to settle existing loan facilities. £55.1m has been repaid in March 2021 with a further £127.5m paid in April 2021

The repayment of £127.5m in April 2021 comprises breakage costs of £36.1m and £91.4m for loans, including interest of £0.2m, to Dexia and Santander. These were paid post year end with £87.9m held within creditors greater than 1 year and £3.3m held less than 1 year based on the original agreement and repayment terms.

The breakage costs will be charged to the Statement of Comprehensive Income in the year to 31 March 2022.

23. Debt analysis (Cont'd)

	Group	
	2021 £'000	2020 £'000
Net debt is repayable in instalments as follows:		
Within one year	**13,745**	29,419
Between one and two years	**13,538**	15,760
Between two and five years	**25,167**	37,669
After five years	**388,222**	218,828
	440,672	301,676

	Group		
	Properties under charge	Amount drawn £'000	Valuation of units £'000
Contour Homes Limited	4,360	104,800	175,739
Onward Homes Limited	12,345	341,900	560,614
	16,705	**446,700**	**736,353**

Bond analysis

	Principal amount of the Issued Bond 2021 £'000	Discount on Issue 2021 £'000	**Bond Issue costs 2021 £'000**	Amount due to bondholders 2021 £'000
At 31 March 2020	-	-	-	-
Issued Bond	215,000	(4,418)	(1,192)	209,390
Amortisation of Discount on issue and Bond issue costs during year	-	2	1	3
At 31 March 2021	215,000	(4,416)	(1,191)	209,393

On 25th March 2021, the Association issued a 32 year £350m bond ("Bond") at a re-offer yield of 2.215%. The initial offer to the market was for a principal amount of £215m (the "Principal Amount", the issued Bond) with a principal amount of £135m of bonds retained for later issue (the "Retained Bond")

A coupon rate of 2.125% meant that the issued bond was priced at 97.945% (the "bond issue Price"), equivalent to a discount on issue of £4.418m (2.055%). The net funds received were £210.582m (£97.945 per £100 issued).

In arranging the Bond, the Association incurred issue costs of £1.192m.

The discount on Issue and the Bond Issue costs will be amortised over the term of the Bond. Interest is payable by the Association to the bondholders at a rate of 2.125% six months in arrears on the Principal amount, starting in September 2021.

The Bond is secured by way of fixed charges over the housing properties of the Association in favour of Prudential Trustee Limited acting as Security Trustee.

The Principal amount is due for repayment on 25th March 2053.

24. Deferred Capital Grant

The total accumulated government grant and financial assistance received or receivable at 31 March:	Group		Association	
	2021	Restated 2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Held as deferred capital grant at start of the year as previously stated	**440,124**	440,892	**863**	890
Held as deferred capital grant at start of the year as restated	**440,124**	440,892	**863**	890
Grant received in the year	**5,710**	7,852	**6**	3
Grants in advance	**(2,109)**	-	**-**	-
Disposals	**(1,147)**	(979)	**-**	-
Transfer to properties held for sale	**410**	(410)	**-**	-
Repaid	**(1,168)**	-	**-**	-
Reclassification of deferred capital grant	**-**	-	**-**	-
Reversal of grant amortisation	**319**	-	**-**	-
Recognised in the Statement of Comprehensive Income in the year	**(5,984)**	(7,231)	**(79)**	(30)
At end of the year	436,155	440,124	**790**	863
Due within one year	**5,479**	5,451	**30**	30
Due after one year	**430,676**	434,673	**760**	833
	436,155	440,124	**790**	863

Amounts recognised in the statement of comprehensive income of £5,984,000 includes non-social housing grant of £751,000. Only the social housing grant of £5,233,000 is recognised in note 4

25. Recycled Capital Grant Fund

	Group	
	2021 £'000	2020 £'000
At start of the year	**1,852**	1,060
Grants recycled	**1,347**	982
Grant released to SCI	**(1,073)**	-
Recycling to new build development	**(422)**	(190)
At end of the year	**1,704**	1,852
Amount three years or older where repayment may be required	**-**	-

26. Financial instruments

Financial instruments as at 31 March are analysed as follows:	Group 2021 £'000	Group 2020 £'000
Financial assets measured at amortised cost:		
Trade receivables (note 20)	**882**	1,381
Other receivables (note 20)	**15,940**	13,383
Cash and cash equivalents	**183,314**	52,805
	200,136	67,569

	Group 2021 £'000	Group Restated 2020 £'000
Financial liabilities measured at amortised cost:		
Loans payable	**440,672**	300,861
Trade creditors	**930**	2,080
Other creditors	**478,865**	487,031
	920,467	789,972

The organisation's policy on treasury management, capital structures, cash flow and liquidity are set out on page 11 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 2021 £'000	Group 2020 £'000
Floating rate	**230,322**	158,462
Fixed rate	**210,350**	143,212
	440,672	301,674

27. 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 2021 £'000	Group Land and buildings 2020 £'000
Leases expiring:		
Within one year	**481**	481
In the second to fifth years	**1,842**	1,911
In more than five years	**2,967**	3,376
At end of the year	**5,290**	5,768

During the year £704,000 was recognised as income in the statement of comprehensive income in respect of operating leases receivable (2020: £520,000).

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

27. Operating leases (Cont'd)

	Group			
	Land and buildings		Vehicles and equipment	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Leases due:				
within one year	**300**	401	**232**	241
in the second to fifth years	**1,101**	1,443	**546**	781
in more than five years	**2,196**	2,456	**-**	-
At end of the year	**3,597**	4,300	**778**	1,022

During the year £730,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2020: £480,000).

28. Provisions for liabilities

	Group		Association	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At start of the year	**1,289**	1,367	**283**	267
Transfer into / (out of) public liability claim provision	**154**	(78)	**(283)**	16
At end of the year	**1,443**	1,289	**-**	283

29. Pension liabilities

	Group		Association	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
At start of the year	**13,606**	35,134	**-**	-
Net interest on pension liabilities	**284**	768	**-**	-
Transfers to reserves (actuarial gain in period)	**17,977**	(18,737)	**-**	-
Contributions in period	**(3,474)**	(3,347)	**-**	-
Administration expenses	**68**	68	**-**	-
Current service costs in the period	**57**	66	**-**	-
Settlement on exit	**-**	(346)	**-**	-
SHPS pension on business combination	**-**	-	**-**	-
At end of the year	**28,518**	13,606	**-**	-

The pension liabilities for the Association are included in the consolidated pension disclosures in note 37.

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

30. Non-equity share capital

	Association 2021 £	Association 2020 £
Shares of £1 each fully paid and issued:		
At start of the year	**7**	7
Shares issued in the year	**1**	-
Cancelled during the year	**-**	-
At end of the year	**8**	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.

31. 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 2021 £'000	Association 2020 £'000
Recharge by subsidiary		
Atrium City Living Limited (non- regulated)	**-**	-
Contour Homes Limited	**2,691**	2,352
Contour Property Services Limited (non- regulated)	**87**	76
Hyndburn Homes Repairs Limited (non-regulated)	**83**	72
Onward Homes Limited	**4,543**	4,024
Onward Build	**39**	-
	7,443	6,524

	Association 2021 £'000	Association 2020 £'000
Recharge by service		
Management services	**7,443**	6,524
	7,443	6,524

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 2021 £'000	Association 2020 £'000
Recharge from subsidiary		
Atrium City Living Limited (non- regulated)	**-**	-
Contour Homes Limited	**2**	-
Contour Property Services Limited (non-regulated)	**-**	-
Hyndburn Homes Repairs Limited (non-regulated)	**-**	-
Onward Homes Limited	**414**	-
	416	-

31. Transactions with related parties (cont'd)

Debtors falling due within one year (note 20)	Association 2021 £'000	Association 2020 £'000
Contour Homes Limited	**-**	404
Contour Property Services Limited (non- regulated)	**402**	2,290
Hyndburn Home Repairs Limited (non-regulated)	**686**	3,633
Atrium City Living Limited (non- regulated)	**141**	-
Onward Build (non-regulated)	**39**	-
Onward Homes Limited	**3,410**	1,324
	4,678	7,651

Creditors: amounts falling due within one year (note 22)	Association 2021 £'000	Association 2020 £'000
Contour Property Services Limited (non- regulated)	**-**	-
Contour Homes Limited	**8,486**	265
Onward Homes Limited	**-**	7,188
	8,486	7,453

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.

32. Capital commitments

	Group 2021 £'000	Group 2020 £'000
Capital expenditure contracted for but not provided for in the financial statements general balance	**76,857**	15,555
Capital expenditure authorised by the Board of Management but not yet contracted for general balance	**80,555**	30,476

Capital expenditure commitments are funded through grant funding (Homes England Affordable Homes Programme) and recycled grant, £44,718,000, and cash from approved loan agreements and retained surpluses, £112,694,000.

33. 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 £61,000 (2020: £ 56,000).

34. Analysis of changes in net debt

	At 1 April 2020 £'000	Cash flows £'000	Other non cash changes £'000	At 31 March 2021 £'000
Cash and cash equivalents				
Cash	52,805	130,509	-	183,314
Overdrafts	-	-	-	-
Cash equivalents	-	-	-	-
	52,805	**130,509**	**-**	**183,314**
Borrowing				
Debt due within one year	(29,322)	29,322	(13,745)	(13,745)
Debt due after one year	(271,539)	(169,133)	13,745	(426,927)
	(300,861)	**(139,811)**	**-**	**(440,672)**
Total	**(248,056)**	**(9,302)**	**-**	**(257,358)**

35. Cash flows generated from operating activities

	Notes	Group 2021 £'000	Group 2020 £'000
Surplus for the year		**20,938**	16,548
Adjustments for non-cash items:			
Depreciation of tangible fixed assets (Housing properties and Other)		**22,480**	20,547
Impairment and fixed asset write off		**78**	1,291
Change in value of investment property	**15**	**(391)**	278
Amortisation of intangible assets		**-**	79
Share of joint venture loss	**15**	**112**	38
Movement in investments	**15**	**-**	22
Decrease/(Increase) in properties for sale and work in	**18**	**4,864**	(13,010)
(Increase) / decrease in trade and other debtors	**19**	**(2,058)**	(1,110)
Increase in trade and other creditors		**(7,456)**	13,003
(Decrease) / increase in provisions	**28**	**154**	(78)
Pension costs less contributions payable		**(3,065)**	(3,579)
Carrying amount of tangible fixed asset disposals		**9,377**	10,177
Amortisation of deferred Government Grant		**(5,665)**	(7,802)
Adjustments for investing or financing activities			
Proceeds from disposal of tangible fixed assets		**(11,261)**	(13,047)
Interest receivable	**11**	**(1,252)**	(2,732)
Interest payable	**12**	**9,754**	14,665
Net cash generated from operating activities		**36,609**	35,290

36. Contingent liabilities

There is no contingent liability to disclose.

37. Pension costs

(a) The Social Housing Pension Scheme

Summary

	Group 2021			
	SHPS	GMPF	MPF	Total
	£'000	£'000	£'000	£'000
At start of the year	13,131	461	14	13,606
Net interest on pension liabilities	273	11	0	284
Transfers to reserves (actuarial gain in period)	17,681	295	1	17,977
Contributions in period	(3,439)	(30)	(5)	(3,474)
Administration expenses	68	0	0	68
Current service costs in the period	0	57	0	57
At end of the year	27,714	794	10	28,518

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 completed 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.

Similarly, 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, and as at 30 September 2020 to inform the liabilities for accounting year ends from 31 March 2021 to 28 February 2022 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.

37. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (continued)

Assumptions	Group 2021	Association 2021
Inflation	2.9%	-
Rate of discount on scheme	2.2%	-
Rate of salary increase	3.9%	-
Rate of increase of pensions	3.9%	-
Life expectancy male non-pensioner	22.9	-
Life expectancy female non-pensioner	25.1	-
Life expectancy male pensioner	21.6	-
Life expectancy female pensioner	23.5	-

The fair value of the schemes' assets at 31 March 2021, 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:

	Group 2021 £'000	Association 2021 £'000
Fair value of assets	**109,494**	-
Present value of liabilities	**(137,208)**	-
Deficit in the scheme	**(27,714)**	-

37. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (continued)

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

	Group 2021 £'000	Association 2021 £'000
Market value		
Global Equity	17,451	-
Absolute Return	6,044	-
Distressed Opportunities	3,162	-
Credit Relative Value	3,445	-
Alternative Risk Premia	4,124	-
Fund of Hedge Funds	13	-
Emerging Markets Debt	4,420	-
Risk Sharing	3,986	-
Insurance-Linked Securities	2,630	-
Property	2,274	-
Infrastructure	7,300	-
Private Debt	2,611	-
Opportunistic Illiquid Credit	2,784	-
High yield	3,279	-
Opportunistic Credit	3,002	-
Cash	1	-
Corporate Bond Fund	6,469	-
Liquid Credit	1,307	-
Long Lease Property	2,146	-
Secured Income	4,553	-
Liability Driven Investment	27,827	-
Net Current Assets	666	-
Total	109,494	-

	Group 2021 £'000	Association 2021 £'000
Analysis of the amount charged to operating surplus		
Current service cost	-	-
Past service cost / (gain)	-	-
Total operating charge	-	-

37. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (continued)

	Group 2021 £'000	Association 2021 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	2,348	-
Interest on pension liabilities	(2,621)	-
Net return	(273)	-

	Group 2021 £'000	Association 2021 £'000
Movement in (deficit) during the year		
Initial recognition of multi-employer defined benefit	(13,131)	-
Movement in year:	-	-
Current service cost	-	-
Past service cost	-	-
Contributions	3,439	-
Expected return on plan assets	2,348	-
Interest on pension liabilities	(2,621)	-
Administration expenses	(68)	-
Actuarial (loss)/gain in SCI	(17,681)	-
Deficit in schemes at end of the year	(27,714)	

	Group 2021 £'000	Association 2021 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	8,518	-
Experienced gains (losses) arising on the scheme liabilities.	2,291	-
Change in assumptions underlying the present value of scheme liabilities	(28,490)	-
Actuarial (loss)/gain recognised in SCI	(17,681)	-

	Group 2021	Association 2021
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	8,518	-
% of scheme assets	7.8%	-
Experienced (losses)/gains on liabilities (£'000)	2,291	-
% of scheme liabilities	1.7%	-
Total amount recognised in SCI (£'000)	(17,681)	-
% of scheme liabilities	(12.9)%	-

37. Pension costs (cont'd)

(a) The Social Housing Pension Scheme (continued)

	Group 2021 £'000	Association 2021 £'000
Reconciliation of assets		
Initial recognition of multi-employer defined benefit	**98,824**	-
Employer contributions	**3,439**	-
Employee contributions	**-**	-
Benefits paid	**(3,635)**	-
Expected return on plan assets	**2,348**	-
Remeasurement of assets	**8,518**	-
Assets at end of year	**109,494**	-

	Group 2021 £'000	Association 2021 £'000
Reconciliation of liabilities		
Initial recognition of multi-employer defined benefit	**111,955**	-
Interest cost	**2,621**	-
Employee contributions	**-**	-
Benefits paid	**(3,635)**	-
Actuarial (gain)loss	**26,199**	-
Administration expenses	**68**	-
Benefit obligation at end of year	**137,208**	-

(b) TPT Retirement solutions – The Growth Plan

The Growth Plan is a scheme that members of Onward Homes Ltd (who pay normal contributions to SHPS) have paid Additional Voluntary Contributions (AVCs) to. The Growth Plan has an associated debt resulting in Onward paying deficit contributions. These payments are treated as an expense and charged through the Statement of Comprehensive Income. Deficit contributions are expected to cease in January 2025.

The company participates in the scheme, a multi-employer scheme which provides benefits to some 950 non-associated participating employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

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 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.

37. Pension costs (cont'd)

(b) TPT Retirement solutions – The Growth Plan

A full actuarial valuation for the scheme was carried out at 30 September 2017. This valuation showed assets of £794.9m, liabilities of £926.4m and a deficit of £131.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2019 to 31 January 2025:	£11,243,000 pa	(payable monthly and increasing by 3% each 1st April)

Unless a concession has been agreed with the Trustee the term to 31 January 2025 applies.

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2014. This valuation showed assets of £793.4m, liabilities of £969.9m and a deficit of £176.5m. To eliminate this funding shortfall, the Trustee has asked the participating employers to pay additional contributions to the scheme as follows:

Deficit contributions

From 1 April 2016 to 30 September 2025:	£12,945,440 pa	(payable monthly and increasing by 3% each 1st April)
From 1 April 2016 to 30 September 2028:	£54,560 pa	(payable monthly and increasing by 3% each 1st April)

The recovery plan contributions are allocated to each participating employer in line with their estimated share of the Series 1 and Series 2 scheme liabilities.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present value of provision

	31 March 2021 £	**31 March 2020 £**	31 March 2019 £
Present value of provision	**28,342**	33,582	40,738

37. Pension costs (cont'd)

(b) TPT Retirement solutions – The Growth Plan

Reconciliation of opening and closing provisions

	2021 £	2020 £
Provision at start of period	**33,582**	40,738
Unwinding of the disclount factor (interest expense)	**754**	516
Deficit contribution paid	**(6,963)**	(6,761)
Remeasurement – impact of any change in assumptions	**969**	(911)
Remeasurement – amendments to the contribution schedule	**-**	-
Provision at end of period	**28,342**	33,582

Income and expenditure impact

	2021 £	2020 £
Interest expense	**754**	516
Remeasurement – impact of any change in assumptions	**969**	(911)
Remeasurement – amendments to the contribution schedule	**-**	-
Contributions paid in respect of future service*	**-**	-
Costs recognised in income and expenditure account	**-**	-

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

Assumptions

	31 March 2021 % pa	31 March 2020 % pa	31 March 2019 % pa
Rate of discount	**0.66**	2.53	1.39

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

(c) 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.

37. Pension costs (cont'd)

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

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

Assumptions	2021	2020
Inflation	2.8%	2.1%
Rate of discount on scheme	2.05%	2.3%
Rate of salary increase	3.55%	2.6%
Rate of increase of pensions	2.8%	1,8%
Life expectancy male non-pensioner	21.9	22.0
Life expectancy female non-pensioner	25.3	25.0
Life expectancy male pensioner	20.5	20.5
Life expectancy female pensioner	23.3	23.1
Mortality assumptions (normal health)		
Basis	Vitacurves CMI 2020 model	S2PA CMI 2013 model
Non-retired members	Vita curves with improvements in line with the CMI 2018 model assuming long terms rates of improvement of 1.5% pa	Converge to a long term rate of 1.25%
Retired members	Vita curves with improvements in line with the CMI 2018 model assuming long terms rates of improvement of 1.5% pa	Converge to a long term rate of 1.25%

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

Assumptions	2021	2020
Inflation	2.7%	2.1%
Rate of discount on scheme	2.1%	2.4%
Rate of salary increase	N/A	N/A
Rate of increase of pensions	2.8%	2.2%
Life expectancy male non-pensioner	22.6	22.5
Life expectancy female non-pensioner	26.0	25.9
Life expectancy male pensioner	21.0	20.9
Life expectancy female pensioner	24.1	24.0
Mortality assumptions (normal health)		
Basis	S3PA CMI 2018	S3PA CMI 2018
Non-retired members	1.75% 131% male, 106% female	1.75% 131% male, 106% female
Retired members	1.75% 124% male, 104% female	1.75% 124% male, 104% female

37. Pension costs (cont'd)

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

The fair value of the schemes' assets at 31 March 2021, 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:

	2021 £'000	2020 £'000
Fair value of assets	**1,414**	1,118
Present value of liabilities	**(2,217)**	(1,592)
Deficit in the scheme	**(803)**	(474)

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

	2021 £'000	2020 £'000
Market value		
Equities	**976**	771
Government Bonds	**212**	168
Property	**99**	78
Cash/liquidity	**127**	101
Total	**1,414**	1,118

	2021 £'000	2020 £'000
Analysis of the amount charged to operating surplus		
Current service cost	**57**	66
Past service cost / (gain)	**-**	-
Total operating charge	**57**	66

	2021 £'000	2020 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	**26**	29
Interest on pension liabilities	**(37)**	(42)
Net return	**(11)**	(13)

37. Pension costs (cont'd)

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

	2021 £'000	2020 £'000
Movement in (deficit) during the year		
Deficit in schemes at start of the year	**(474)**	(894)
Movement in year:		
Current service cost	**(57)**	(66)
Contributions	**35**	34
Expected return on plan assets	**26**	29
Interest on pension liabilities	**(37)**	(42)
Settlement on exit	**-**	347
Actuarial (loss)/gain in SCI	**(296)**	118
Deficit in schemes at end of the year	**(803)**	(474)

	2021 £'000	2020 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**218**	(130)
Experienced gains (losses) arising on the scheme liabilities.	**-**	(10)
Change in assumptions underlying the present value of scheme liabilities	**(514)**	258
Actuarial (loss)/gain recognised in SCI	**(296)**	118

	2021	2020
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**218**	(130)
% of scheme assets	**15.42%**	-11.6%
Experienced (losses)/gains on liabilities (£'000)	**-**	(10)
% of scheme liabilities	**0%**	-0.6
Total amount recognised in SCI (£'000)	**(296)**	118
% of scheme liabilities	**-13.35%**	7.4%

	2021 £'000	2020 £'000
Reconciliation of assets		
Assets at start of year	**1,118**	2,924
Employer contributions	**35**	34
Employee contributions	**26**	12
Benefits paid	**(9)**	(8)
Expected return on plan assets	**26**	29
Remeasurement of assets	**218**	(130)
Settlement on exit	**-**	(1,743)
Assets at end of year	**1,414**	1,118

37. Pension costs (cont'd)

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

	2021 £'000	2020 £'000
Reconciliation of liabilities		
Benefit obligation start of year	**1,592**	3,818
Operating charge	**57**	66
Interest cost	**37**	42
Employee contributions	**26**	12
Benefits paid	**(9)**	(8)
Actuarial gain(loss)	**514**	(248)
Settlement on exit	**-**	(2,090)
Benefit obligation at end of year	**2,217**	1,592

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

In the year the liability of £2,525,000 (2020: £1,781,000) and corresponding asset of £1,724,000 (2020: £1,390,000), 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	
	2021 £'000	2020 £'000
At start of the year	**391**	538
Interest on pension liabilities	**10**	14
Transfers to reserves (actuarial gain in period)	**376**	(222)
Contributions in period	**(30)**	(37)
Current service costs in the period	**54**	98
At end of the year	**801**	391

38. Improvement Programme / VAT Shelter

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

Expenditure of £1,701,209 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.

39. Post Balance Sheet Events

The Transfer of Engagement (ToE) took place on 1 April 2021. From this date the whole of the stock, property and other assets and all engagements of Contour Homes Limited (CHL) will transfer to Onward Homes Limited (OHL). CHL will be removed from the FCA mutual register and will cease to be a body corporate once all formalities have been completed which is likely to be after the accounts are formally signed.

40. Prior period adjustments

The accounts have been restated following a change in accounting policy to capitalise salaries and the identification of a prior period error.

40. Prior period adjustments (cont'd)

Due to these restatements, in 2020 Onward Group operating costs have been restated to (£122,397,000. This has resulted in a restated operating surplus of £31,399,000, a restated surplus on ordinary activities before tax of £18,880,000 and a restated comprehensive income of £37,440,000.

The total impact on the reserves balances as at 31 March 2020 is a decrease of £430,000.

a) Capitalised salaries change in accounting policy

Within the capital cost of property, a proportion of development and investment team staff time has been included to recognise the time spent in managing and delivering the development and investment programmes. This cost is incurred as a result of the programmes and hence agreed to be capitalised. As this is a new accounting policy for year ending March 2021 impact on prior years has to be shown for comparative purposes.

This change in accounting policy has resulted in a reduction in the operating cost of £1.72m. The £1.72m is made up of £739k of investment team salaries capitalised and £980k of development team capitalised salaries. This reduction reflects the fact that salaries previously expensed to the Statement of Comprehensive Income had retrosepectly been capitalised against the 19/20 fixed asset additions.

Housing property cost has been adjusted by £1.72m to relect the now higher cost of capital due to the capitalisation of salaries.

b) Hattersley fixed asset write-off

During the year an error relating back to 2017 was identifed and subsequently corrected. As this related to a prior period it has been treated as a prior period adjustment in the accounts.
This adjustment relates to costs associated with the demolition of the site and old components being incorrectly held on the balance sheet. Grant relating to this project had also been incorrectly held on the balance sheet.

These costs should have been written off in that year and the grant released. The adjustment seeks to correct the original treatment.

The total cost of the Hattersley component released to the Statement of Comprehensive Income in 2017 should have been £2.8m. As this would have happened in a year prior to 19/20 the impact of this adjustment can only be seen in the SoFP as detailed below.

This adjustment has reduced the 19/20 housing property cost by £2.8m from the component write-off. The release of the grant has resulted in a reduction in creditors due after one year of £684k.

40. Prior period adjustments (cont'd)

The table below summarises the overall movement in the Statement of Comprehensive Income and the Statement of Financial Position as a result of the change in accounting policy.

	Original balance for year ending 31 March 2020 £'000	Restatement impact £'000	Restated balances for year ending 31 March 2020 £'000
Statement of Comprehensive Income			
Turnover	155,764	-	**155,764**
Cost of Sales	(4,969)	-	**(4,969)**
Operating costs	(124,113)	1,716	**(122,397)**
Gain/(loss) on disposal of housing properties	3,001	-	**3,001**
Operating surplus	**29,683**	**1,716**	**31,399**
Surplus on ordinary activities before taxation	**17,164**	**1,716**	**18,880**

	Original balance for year ending 31 March 2020 £'000	Restatement impact £'000	Restated balances for year ending 31 March 2020 £'000
Statement of Financial Position			
Housing properties	1,072,317	(1,114)*	**1,071,203**
Creditors: falling due after one year	(717,073)	684	**(716,389)**
Total capital and reserves	**388,502**	**(430)**	**388,072**

*This is a combination of a £1.72m capitalised salary adjustment and a (£2.83m) write-off for the Hattersley adjustment.