Onward Homes Limited

Annual Report and Financial Statements for the year ended 31 March 2021

FCA Registration number 17186R

RSH Registration number LH0250

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Annual Report and Financial Statements

BOARD AND ADVISORS

Members of the Board

Non-Executive Directors

Dr Neil Goodwin CBE (Chairman)

Rachel Barber

Dena Burgher (appointed November 2020)

Wyn Dignan

William Hewish

Paul High

Brian Roebuck (Deputy Chairman to April 2021)

Michael Verrier (Deputy Chairman from April 2021)

Company Secretary

Catherine Farrington

Victoria Parr (Deputy)

Principal Banker

NatWest PLC

33 Piccadilly, Manchester, M1 1LR

Principal Solicitors

Devonshires Solicitors LLP

Park House, Park Square West, Leeds, LS1 2PW

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 section, for the year ended 31 March 2021.

Overview and background

Onward Homes Limited was formed in September 1965 as a Housing Association based in Merseyside. It is a subsidiary of Onward Group Limited (the "Group"). Over the years the Association has grown by developing homes itself and also by acquiring homes from other Housing Associations. It now operates across the North West and fulfils its charitable objectives by offering a large portfolio of affordable rented homes for those in housing need, low cost home ownership products and associated services.

Legal structure

Onward Homes Limited (the "Association") is a charitable Community Benefit Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority number 17186R. The Association is also a Registered Provider of social housing with a registration number of LH0250. It is regulated by the Regulator of Social Housing.

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.

Atrium City Living Limited is a wholly owned subsidiary of Onward Homes Limited and acts as the investment vehicle in two joint ventures which will deliver new homes – GMJV Fundco LLP to deliver new homes for sale in Greater Manchester and CRDP Developments LLP to deliver new homes in Goosnargh near Preston.

Onward Build Limited is a wholly owned subsidiary of Onward Homes Limited. Its purpose is a development company which will be used to provide development services to the Group and support the building of new homes. Onward Build has been selected to deliver the Group's flagship development scheme at Basford East near Crewe which will deliver over 400 new homes for affordable rent, shared ownership (is "low-cost home ownership properties" in the fixed asset and properties held for sale notes) and market sale.

The Group is governed by a common Board which acts as the Board for Onward Group, Onward Homes and until 31 March 2021 Contour Homes. It has responsibility for Group oversight and ensuring consistency of strategy, service and compliance.

Financial review

The Association has made a surplus for the year of £14.6m (2020: re-stated £15.4m). Underlying performance is similar. Other comprehensive loss of £18.0m (2020: income £18.7m) has also been recognised in this year following a increase in the SHPS pension deficit.

The surplus is 14.2% as a percentage of turnover (2020: re-stated 15.4%) and the operating margin is 14.7% (2020: re-stated 21.2%).

Overall turnover increased to £102.8m in 2021 (2020: £99.7m) – an increase of 3.11%. The increase is mainly driven by the recognition of payroll costs and resultant recharges of £12.7m (2020; £9.8m) to other Group companies in Onward Homes previously recognised through the Group company. Shared ownership 1st tranche sales were £4.4m (2020: £3.9m).

Total net assets reduced marginally to £233.8m (2020: re-stated £237.1m).

The Association ended the year with cash and short-term investments of £162.2m (2020: £19.8m). 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.

The surplus achieved in 2021 will be used to increase future investments in our homes, services and neighbourhoods.

Covid 19

The Association 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 100.3% (2020: 99.3%). 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 Association 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 Association has significant control over its expenditure to respond and mitigate any risk of a breach.

Finance metrics	2022 £000's	2023 £000's	2024 £000's	2025 £000's	2026 £000's
Reinvestment %	8.90%	6.40%	9.00%	10.00%	9.00%
Gearing %	25.20%	26.40%	28.40%	28.10%	28.50%
EBITDA MRI	201	202	223	230	241
Operating Margin % SHL Only	18.00%	20.30%	21.50%	22.90%	23.90%
Operating Margin % Overall	18.50%	18.90%	20.40%	19.70%	21.20%
ROCE %	2.40%	2.50%	2.70%	2.90%	3.00%

Operating review

The Association has performed well against targets in income collection. Arrears levels are broadly similar to those of last year whilst void levels have increased slightly mainly due to Covid-19 restrictions and therefore restricted operations during the year. We will continue to set challenging targets to drive improvement.

The last twelve months has seen significant challenge in delivering a repairs service amid government restrictions relating to Covid-19. The repairs service focused initially on delivering emergency repairs only with reduced staffing levels. External contractors were used to cover staff absence increasing costs. As government restrictions eased during the latter part of the year operational delivery returned to almost full capacity with some additional resources allocated to catch up works .

These additional costs have resulted in a higher cost per property than previous years. We expect normal levels of activity to resume in 2021/22 however there may some delay due to catch up works and dependency on government guidelines and impact on operations.

Performance

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 Association is achieving its objectives and strategies.

Measure	2021	2020	2019	2018
Void Loss %	2.36%	1.89%	1.81%	1.69%
Average re-let (days)	59.6	48.6	53.85	41.11

One of the Association'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 redecorating or 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 positive performance in the early part of 2021. This remains an area of focus for the Board.

Measure	2021	2020	2019	2018
Rent Collection %	100.3%	99.3%	100.3%	99.7%
Arrears - current residents %	5.6%	5.7%	5.51%	4,01%
Arrears - former residents %	1.5%	1.5%	1.43%	1.62%
Arrears - Total %	7.1%	7.2%	6.94%	5.63%

Rent collected and the volume of arrears is a key indicator of our ability to deliver core business. Our overall rent collection performance remains high and has settled in the year at 100.3% (2020: 99.3%) despite the disruption caused by Covid-19.. This is mainly due to focused and targeted work of the Financial Inclusion and Income Management teams .

The standard of our repairs service and the quality of our homes both remain important to the organisation. The statistics below demonstrate a slightly reduced volume of incidents and a reduced average expenditure on routine repairs per property.

Measure	2021	2020	2019	2018
Ave no. repairs per property	3.30	3.40	3.49	3.77
Repairs cost per property	£480	£417	£457	£426

The average number of responsive repairs per property was 3.4 (2020: 3.4) at a cost of £480 (2020: £417). The increase in repairs cost per unit is mainly down to the increased cost of repairs c.£1m.

Over the course of the year, 84.2% (2020: 86.6%) of responsive repairs were completed in the target time. Service improvement plans are in place with our contractors and we continue to work positively with them.

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.

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

Risk and uncertainty

The group has a Risk Management Strategy and 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 control risks.

The group worked with PwC, its internal auditor, to establish an internal audit plan for 2020-21 which was 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 it 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 and improvement plans agreed where required to support contractors to meet our performance expectations. This area is under increasing pressure due to the pandemic and as we return to business as usual due to a number of factors, for example, materials shortages, repairs backlog due to the pandemic and on-going staffing issues at our contractors as a result of track and trace, isolation and sickness. Allied to this demand from our customers is increasing. We are actively monitoring the impact of these issues and we have plans in place to ensure we are able to respond. Alongside this we are communicating regularly with our customers to ensure they are aware of our plans.
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 to the pandemic and any changes to service provision.
Regulatory breach	Onward has robust governance arrangements, however, there is a risk that the ongoing 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. No issues have been identified to date. 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.
National Government	The government focus has been managing our country through the pandemic and there is a risk that the housing sector is not given appropriate political focus as we emerge from the pandemic. We are actively supporting sector leaders in lobbying government to ensure that the contribution made by the housing sector at this time is recognised.
People and Culture	Establishing and maintaining an Onward culture at a time when our colleagues are working remotely is a challenge. However, the Board and management team have established a number of strategies to embed Onward values and ways of working, We regularly monitor colleague engagement and the findings from these exercises are positive.
Data Quality	High quality data ensures the accuracy of returns to the Regulator, supports effective decision making and robust performance management. We have a regular process of data cleansing in place to ensure the robustness of the information we hold.
Statutory Property Compliance	The safety of our customers in their homes remains a key priority for Onward and we continue to work to improve fire safety arrangements and ensure the safety of our customers. We continue to work collaboratively with local fire authorities to ensure fire safety is maintained, including short term measure where required. A programme of improvement works is in place 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.
Development Programme	The size of our development programme is increasing which increases the inherent risk of this activity. We have reviewed our development governance and management processes to ensure that we are well placed for increased volume and that our governance arrangements are supported by appropriately skilled and experienced individuals.

Significant Cyber security incident	Cyber security is an increasing risk for all organisations, especially during the period of extended homeworking and the external threat from hackers and cyber criminals. To manage this risk we have established a range of controls to protect our systems and data. We actively monitor cyber threats on an on-going basis 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.
Business Continuity	The pandemic has identified that our business is able to respond to an emergency incident, however, our business continuity arrangements remain key to our business as we respond to the ongoing impact of the pandemic on our operations, our customers and our colleagues.
Recovery and capacity	As the immediate impact of the pandemic reduces and we emerge from the extended period of restrictions we recognise that this may have an impact on our colleagues which may impact on our ability to recover in the short term whilst we manage the impact of the this and adjust to new ways of working We have an extensive support package in place for our colleagues and our indicators demonstrate that our colleagues feel supported by the business at this challenging time.
Economic downturn	Covid19 is expected to have a significant impact on the economy and our customers. 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 as we continue to assess the impact on our business and our customers.

Treasury objectives and strategy

The Association's treasury activities are managed in line with Group's Treasury Management Policy and the annual Treasury Strategy , which is presented to the Treasury Committee for approval.

The Association 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 Association.

It also acknowledges that effective treasury management supports the achievement of the 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
- Approved sources of borrowing and investment; all borrowing is from approved sources

The Association 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.

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 £36m of breakage costs. The breakage costs will be charged to the Statement of Comprehensive Income in the year to 31 March 2022.

The total settlement of £182.6m includes breakage costs of £36m which will be charged to the Statement of Comprehensive Income in the year to 31 March 2022.

The Association has borrowing facilities of £576.9m (2020: £230.8m) of which £341.9m has been drawn down at 31 March (2020; £191.8m). The available facility includes £109m (2020; £59m) of revolving facilities of which all £109m (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 £162.2m compared to the prior year £19.8m. Of the bond monies received £55.1m has been used to repay existing loan facilities as per the agreed treasury strategy.

The Association 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, Contour Homes Limited (CHL) transferred into Onward Homes Limited on 1st April 2021. On that date and in line with the Group's Treasury Strategy, two of CHL's funders were repaid in full to the value of £91.5m, plus breakage cost of circa £36m. The remaining funders agreed to transfer into Onward Homes Limited. The monies from the public bond issue completed in March 2021, were used to complete this refinancing.

Corporate governance

The Board complies with the National Housing Federation (NHF) 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 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 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

The Association's approach to, and performance on, value for money is set out in the consolidated Group accounts for Onward Group Limited.

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 Homes Limited Annual Report (the 'Annual Report') and the audited financial statements for the year ended 31 March 2021.

Principal activities

The Association'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 problems 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 Association undertakes to deliver these objectives.

Board members and executive directors

The current Board members of the Association are set out on page 2.

The Board members are drawn from a wide background bringing together professional, commercial and other experiences. No remuneration was paid to the directors on the Board in their capacity as directors of the company.

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 Association has control. The Association promotes safe practices and continuous improvement through a Health and Safety Group, and regional health and safety forums on which all parts of the association are represented. Onward Homes is committed to ensuring:

- The health, safety and welfare of all our customers, leaseholders, staff, contractors and third parties involved in the operations of the Association
- 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 Association has committed to spend of c.£2.5m 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 £35k to Open Kitchen in the year (2020: £nil). 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 Association communicates and consults with its employees through a variety of structures including regular team briefings, employee emails, newsletters, colleagues' forum and trade union meetings (consultation through the recognised trade union group, the JNCC).

The Association 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

The 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 Association 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 Association is aware, at the time this report is approved:

- There is no relevant information which the Association'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 Association'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 association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

Statement of internal control

The Board acknowledges its ultimate responsibility for ensuring that the Association 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 Association 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 is 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 that 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 during the year and is embedded within the business.

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

Conclusion

The Board acknowledges that its responsibility applies to the full range of risks and controls across all Association 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 Regulator of Social Housing's (the RSH) 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. The Board approved the statement and formally certified its compliance with the Standard and Code for 2020-21 at its meeting in June 2021.

Going concern

The Association's business activities, its current financial position, net assets of £233.8m; (2020 re-stated £237.1m) and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities of £576.9m (2020: £230.8m), of which £235m is undrawn (2020: £39m) and cash and cash equivalents of £162.3m (2020: £19.8m) which provide adequate resources to repay the £127.5m 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 Association's day to day operations. The Association's long-term business plan shows that it can service its debt facilities whilst continuing to comply with lenders' covenants.

The long-term debt facilities is higher at March 2021 compared with March 2020 due to 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 2021 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 Association can remain a going concern. The Association has modelled several scenarios using multiple variants to test the resilience of the business plan. The Association 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 Association has sufficient cash and undrawn facilities to cope with this impact.

Most of the 2020/21 year has seen the Association operate under some form of Government restrictions because of the COVID-19 outbreak. The Association is moving to full operational service delivery as government restrictions being to ease. 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.

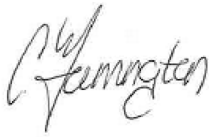
Given the strength of the balance sheet and availability and liquidity of undrawn loan facilities of £235m (2020: £39m) the Board believes that, while uncertainty exists, this does not pose a material uncertainty that would cast doubt on the Association's ability to continue as a going concern. The Board, 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 Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Independent auditor

BDO LLP were appointed as auditors in the year. A resolution to appoint the Association'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:



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 HOMES LIMITED

Opinion on the financial statements
In our opinion, the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2021 and of 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 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 Homes Limited ("the Association") for the year ended 31 March 2021 which comprise the Association statement of comprehensive income, the Association statement of financial position, the Association statement of changes in reserves 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 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 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 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

Key audit matters	Accounting for the Bond Issue
Materiality	Financial statements as a whole £1.2m (2020: £11.7m) based on 6% (2020: 1.5%) of adjusted operating surplus as defined by the entities lending covenants for 2021 and of the Association's total assets for 2020 respectively.

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	The Association 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 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 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:

	2021 £m	2020 £m
Materiality	1.2	11.7
Basis for determining materiality	For 2021, the basis was 6% on adjusted operating surplus for the year as defined by the entity's lending covenants. For 2020, the basis was 1% on the total assets as at year-end.	
Performance materiality	0.8	8.8
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.

Reporting threshold
We agreed with the audit committee that we would report to them all individual audit differences in excess of £50k (2020: £350k). 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 18, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the financial statements, the board are responsible for assessing the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
Extent to which the audit was capable of detecting irregularities, including fraud

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 Association 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 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 Association 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	2021 £'000	Restated 2020 £'000
Turnover	3	**102,797**	99,721
Cost of sales	3	**(4,451)**	(3,972)
Operating costs	3	**(83,216)**	(77,194)
(Loss)/Gain on disposal of housing properties	3,6	**(70)**	2,626
Operating surplus	7	**15,060**	21,181
Gain/(Loss) on disposal of other tangible fixed assets	10	**2,976**	(144)
Interest receivable and similar income	11	**3,242**	2,742
Interest payable and similar charges	12	**(6,665)**	(8,379)
Surplus on ordinary activities before taxation		**14,613**	15,400
Taxation on surplus on ordinary activities	13	**-**	-
Surplus for the year after taxation		**14,613**	15,400
Other comprehensive income			
Actuarial gain/(loss) in respect of pension schemes	35	**(17,977)**	18,737
Other comprehensive income/(deficit) for the year		**(17,977)**	18,737
Total comprehensive income/(deficit) for the year		**(3,364)**	34,137

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

Paul High
Non-executive Director

Catherine Farrington
Company Secretary

Statement of Changes in Equity

	Non-equity share capital £'000	Revenue reserves £'000	Total reserves £'000
Balance at 31 March 2019	-	205,125	**205,125**
Prior year adjustment (note 38)		(2,145)	**(2,145)**
Restated balance		202,980	**202,980**
Surplus for the year	-	14,009	**14,009**
Other comprehensive income			
Pension gain and initial recognition of multi employer Scheme	-	18,737	**18,737**
Balance at 31 March 2020	-	235,726	**235,726**
Prior year adjustment (note 38)		1,391	**1,391**
Restated balance at 31 March 2020		237,117	**237,117**
Total comprehensive income for the period			
Surplus for the year	-	14,613	**14,613**
Actuarial (loss) in respect of pension schemes	-	(17,977)	**(17,977)**
Balance at 31 March 2021	-	233,753	**233,753**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Financial Position
as at 31 March 2021

	Notes	2021 £'000	Restated 2020 £'000
Tangible fixed assets			
Housing properties	14	**626,743**	612,958
Investments including properties	15	**8,522**	8,345
Other tangible fixed assets	16	**10,417**	10,013
		645,682	631,316
Current assets			
Debtors due after one year	17	**23,843**	16,907
Properties for sale and work in progress	18	**4,825**	4,413
Debtors due within one year	19	**12,206**	19,442
Investments	20	**50**	50
Cash and cash equivalents		**162,238**	19,786
		203,162	60,598
Creditors: amounts falling due within one year	21	**(35,117)**	(48,845)
Net current (liabilities)/ assets		**168,045**	11,753
Total assets less current liabilities		**813,727**	643,069
Creditors: amounts falling due after one year	22	**(550,436)**	(391,702)
Provisions for liabilities and charges	28	**(1,020)**	(644)
Pension liabilities	29	**(28,518)**	(13,606)
		(579,974)	(405,952)
Total net assets		**233,753**	237,117
Capital and reserves			
Non-equity share capital	30	**-**	-
Revenue reserves		**232,753**	237,117
Total capital and reserves		**233,753**	237,117

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

Paul High
Non-executive Director

Catherine Farrington
Company Secretary

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Onward Homes Limited (the "Association") is registered under the Housing Act 1996 with the Homes and Communities Agency, the regulator of Social Housing in England, as a Registered Provider of social housing (registration number of LH0250). The registered office is Renaissance Court, 2 Christie Way, Didsbury, Manchester M21 7QY.

The Association is a charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014. It is registered with the Financial Conduct Authority, registration number of 17186R. The Association is a public benefit entity.

2. Accounting policies

a) Basis of accounting

The financial statements of the Association 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.

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 Association business activities, its current financial position (net assets of £233.8m; 2020 re-stated £237.1m) and factors likely to affect its future development are set out within the Strategic Report. The Association has in place long-term debt facilities of £576.9m (2020: £230.8m), of which £235m is undrawn (2020: £39m) and cash and cash equivalents of £162.3m (2020: £19.8m) which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association's long-term business plan shows that it can service its debt facilities whilst continuing to comply with lenders' covenants.

The long-term debt facilities is higher at March 2021 compared with March 2020 due to 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

2. Accounting policies (cont'd)

Going concern (cont'd)

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 Association can remain a going concern. The Association has modelled several scenarios using multiple variants to test the resilience of the business plan. The Association 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 Association has sufficient cash and undrawn facilities to cope with this impact.

Most of the 2020/21 year has seen the Association operate under some form of Government restrictions because of the COVID-19 outbreak. The Association is moving to full operational service delivery as government restrictions being to ease. 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 Association'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 Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the 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.

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 £2.3m. 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 norm and actual performance. We do not believe that the UELs for the components need changing and therefore remain the same.

2. Accounting policies (cont'd)

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

The valuation is based on either third part valuation reports or an update to those reported based on market conditions. The valuation is most sensitive to assumptions on rental growth and the discount rate applied to those cash flows. The Association relies on the assumptions and estimates applied by the valuer in accordance to the RICS red book valuation standards in determining the market valuation.

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

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

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 impairments 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. Also, no further decision has been made on the future of the three Preston blocks and on that basis no impairment has been applied.

Basic financial instruments:
Onward Homes 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 Associaiton 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.

2. Accounting policies (cont'd)

Defined benefit obligations: the cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and long-term nature of these plans, such estimates are subject to considerable uncertainty and the Association 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 Association 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.

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 Assocation 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 the Association.

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.

The overall impact is a reduced salary charge of £2.9m (£1.5m current year through the SCI and £1.4m prior years through reserves adjustment) and increase in property cost in Statement of Financial Position (SoFP) of £4.8m (£1.4m current year and £1.1m prior years). The remaining £0.4m remains on the SFP representing schemes in work in progress.

Prior year adjustments

The accounts show two changes,

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

The capitalized 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.

2. Accounting policies (cont'd)

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 incorrectly 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 decrease in surplus of £2.15m, all prior year. A full breakdown of the prior year adjustment impact has been included in note 38.

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 Association does not have any financial instruments which fall into the non basic financial instrument category. The Association 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.

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 Association's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

2. Accounting policies (cont'd)

f) Turnover

The Association turnover represents rental and service charge income receivable (net of void losses), fees receivable, proceeds from first tranche sales of low-cost home ownership, from properties developed for open market sales and amortisation of Social Housing Grant (SHG) under the accrual model.

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

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 Association is a charitable entity. Where activities may fall within the scope of the relevant tax regulations and may be subject to tax liability the Association provides for this where appropriate on the basis of amounts expected to be paid to the tax authorities.
The tax charge for the year is based on the profit for the year end and includes current tax on any taxable profits for the year and deferred taxation. Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

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

j) Value added tax

The Association is VAT registered as part of the Group registration. 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 Association 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.

2. Accounting policies (cont'd)

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
Fascia	40 years
Windows	30 years
Electrical installations	30 years
Bathrooms	30 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 Association expects to consume an asset's future economic benefits.

Non-component works to existing properties

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

Interest capitalised

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

2. Accounting policies (cont'd)

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 Association 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) Investments in subsidiaries

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

p) Investment in joint ventures

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

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

q) Properties held for sale and work in progress

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

2. Accounting policies (cont'd)

r) Impairment of housing properties

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

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

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

For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Association 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 Association 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 Association.

x) Provisions

A provision is recognised in the statement of financial position when the Association 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 Association 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 Association 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 Association'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 Association 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 Association's obligations. A valuation is performed annually by a qualified actuary using the projected unit credit method. The Association 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 Association 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 association 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 association has made an offer of voluntary redundancy, it is probably that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than twelve months after the reporting date, then they are discounted to their present value.

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

	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	**60,958**	**-**	**(46,266)**	**14,692**	61,285	-	(47,455)	13,830
Older persons housing	**11,707**	**-**	**(9,898)**	**1,809**	11,156	-	(8,987)	2,169
Supported housing	**9,399**	**-**	**(8,536)**	**863**	10,306	-	(6,831)	3,475
Low cost home ownership	**1,138**	**-**	**(1,643)**	**(505)**	1,258	(120)	(883)	255
	83,202	**-**	**(66,343)**	**16,859**	84,005	(120)	(64,156)	19,729
Other social housing activities								
Regeneration and development	**369**	**-**	**(1,438)**	**(1,069)**	198	(2)	(1,232)	(1,036)
Management services	**355**	**-**	**-**	**355**	829	-	(40)	789
Group payroll	**12,696**	**-**	**(12,696)**	**-**	9,786	-	(9,786)	-
Estate services	**-**	**-**	**(713)**	**(713)**	-	-	(950)	(950)
Shared Ownership first tranche sales	**4,413**	**(4,451)**	**-**	**(38)**	3,919	(3,838)	-	81
Other	**-**	**-**	**(164)**	**(164)**	-	-	(147)	(147)
	17,833	**(4,451)**	**(15,011)**	**(1,629)**	14,732	(3,840)	(12,155)	(1,263)
Total social housing activities	**101,035**	**(4,451)**	**(81,354)**	**15,230**	98,737	(3,960)	(76,311)	18,466
Non-social housing activities								
Market rent	**508**	**-**	**(277)**	**231**	487	(12)	(72)	403
Revaluation of investment properties	**177**	**-**	**-**	**177**	-	-	(248)	(248)
Commercial	**238**	**-**	**(959)**	**(721)**	398	-	(75)	323
Management Services	**602**	**-**	**(379)**	**223**	10		(7)	3
Leaseholders	**237**	**-**	**(280)**	**(43)**	88	-	(358)	(270)
Other	**-**	**-**	**33**	**33**	1	-	(123)	(122)
Total non-social housing activities	**1,762**	**-**	**(1,862)**	**(100)**	984	(12)	(883)	89
Total	**102,797**	**(4,451)**	**(83,216)**	**15,130**	99,721	(3,972)	(77,194)	18,555
(Loss)/gain on disposal of housing properties (note 6)	**-**	**-**	**(70)**	**(70)**	2,626	-		2,626
Total	**102,797**	**(4,451)**	**(83,286)**	**15,060**	102,347	(3,972)	(77,194)	21,181

4. Income and expenditure from social housing lettings

	General needs accommodation £'000	Older persons housing £'000	Supported housing £'000	Low cost home ownership £'000	Total 2021 £'000	Restated Total 2020 £'000
Income						
Rents receivable net of voids	57,131	8,827	6,263	954	**73,175**	72,425
Service charge income	1,766	2,639	2,614	103	**7,122**	7,229
Amortised government grants	2,013	216	353	79	**2,661**	3,808
Supporting people grants	3	24	167	1	**195**	410
Other income from social housing	45	1	2	1	**49**	133
Turnover from social housing lettings	**60,958**	**11,707**	**9,399**	**1,138**	**83,202**	84,005
Expenditure						
Management	(9,461)	(2,236)	(2,442)	(646)	(14,785)	(17,331)
Service charge costs	(2,753)	(2,619)	(2,195)	(75)	(7,642)	(6,777)
Routine maintenance	(15,483)	(2,546)	(1,337)	(299)	(19,665)	(15,032)
Planned maintenance	(7,342)	(1,137)	(1,141)	(371)	(9,991)	(10,063)
Major repairs expenditure	(703)	(53)	(79)	(10)	(845)	(621)
Rent losses from bad debts	(400)	(48)	(103)	(31)	(582)	(2,063)
Depreciation of housing properties	(10,070)	(1,259)	(1,237)	(201)	(12,767)	(13,532)
Housing impairment charge (note 14)	(60)	-	-	-	(60)	1,331
Other costs	5	-	(1)	(9)	(5)	(188)
Expenditure on social housing lettings	(46,267)	(9,898)	(8,535)	(1,643)	(66,343)	(64,276)
Operating surplus on social housing lettings	**14,689**	**1,809**	**864**	**(505)**	**16,859**	19,729
Void losses	(687)	(171)	(1,286)	(1)	(2,145)	(1,518)

5. Accommodation owned, managed and under development

	2021 Number	2020 Number
The number of properties in ownership at the year-end were:		
General needs accommodation (social rent)	**12,302**	12,275
General needs accommodation (affordable rent)	**917**	895
Older persons housing	**2,400**	2,401
Supported housing	**1,255**	1,310
Low-cost home ownership	**510**	456
	17,384	17,337
The number of properties in ownership but managed by others at the year-end were:		
Supported housing	**84**	42
Total homes owned	**17,468**	17,379
Accommodation managed by other bodies	**(84)**	(42)
Accommodation managed for other bodies / owner occupiers	**184**	170
Leasehold	**477**	459
Total homes managed	**18,045**	17,966
Non-social housing in ownership and management at the year-end:		
Market rent	**79**	79
	79	79
The number of properties under development at the year-end were:		
General needs accommodation	**490**	218
Supported housing	**91**	12
Low-cost home ownership	**294**	109
	875	339

6. Disposal of housing properties

	2021 £'000	2020 £'000
Disposal proceeds from property sales	**2,616**	4,307
Proceeds from land sales	**5**	-
	2,621	4,307
Carrying value of fixed assets from property sales	**(1,321)**	(1,313)
Costs on disposal	**(1,370)**	(368)
(Loss)/gain on disposal of housing properties	**(70)**	2,626

	2021 Number	2020 Number
Analysis of housing property sales		
Preserved Right to Buy sales	18	25
Right to Acquire	4	14
Shared ownership staircasing	5	23
Other sales	18	5
	45	67

7. Operating surplus

Operating surplus is stated after charging:	2021 £'000	Restated 2020 £'000
Depreciation of housing properties (note 14)	12,767	12,178
Depreciation of other fixed assets (note 16)	479	337
Impairment of housing properties (note 14)	61	56
Loss/(gain) on disposal of housing properties (note 6)	70	(203)
(Gain)/loss on disposal of other tangible fixed assets (note 10)	(2,976)	144
Amortisation of government grant (note 24)	(3,311)	(3,814)
Revaluation of investment properties (note 15)	177	(248)
Pension adjustments (note 29)	(3,349)	(3,213)
Operating lease receipts (note 27)	(17)	(21)
Operating lease payments (note 27)	428	194

Audit fees and fees to the auditor for other services were paid by Onward Group Limited in the year.

8. Board members

No remuneration was paid to the directors on the Board in their capacity as directors of the Association.

9. Employee information

	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)	**810**	771

	2021 £'000	2020 £'000
Staff costs (for the above persons)		
Wages and salaries	**24,901**	24,327
Social security costs	**2,401**	2,378
Other pension costs	**3,030**	2,290
Defined benefit scheme pension adjustments	**-**	-
Severance payments	**237**	262
	30,569	29,257

The Chief Executive is the highest paid member of the Executive Team and is paid through Onward Homes Limited. Her total emoluments including employers 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 had no other pension arrangements to which the association contributes.

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

Remuneration between	2021 £'000	2020 £'000
£60,000 and £69,999	**13**	16
£70,000 and £79,999	**12**	10
£80,000 and £89,999	**9**	5
£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**	**0**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. Disposal of other tangible fixed assets

	2021 £'000	2020 £'000
Disposal proceeds from other fixed assets	**3,723**	-
Carrying value of other fixed assets	**(747)**	(144)
Gain/(loss) on disposal of other fixed assets	**2,976**	(144)

11. Interest receivable and similar income

	2021 £'000	2020 £'000
Bank and building society interest	**8**	42
Interest income on net deficit benefit plan assets	**2,348**	2,240
Intercompany interest receivable	**860**	430
Pension fund interest	**26**	29
Other interest and dividends	**-**	1
	3,242	2,742

12. Interest payable and similar charges

	2021 £'000	2020 £'000
Interest payable on bank and building society loans	**3,392**	4,090
Interest payable on bond	**77**	-
Bond arrangement fee	**1**	
Interest payable on other loans	**718**	756
Amortised loan arrangement fees	**245**	373
Loan administration fees	**12**	3
Loan security costs	**25**	71
Non utilisation fees	**180**	214
Interest expense on net defined benefit liabilities	**2,658**	3,037
	7,308	8,544
Capitalised interest	**(643)**	(165)
	6,665	8,379

Interest has been capitalised at 2.1% (2020: 1.8%) per annum, the average cost of borrowing, or is based on a specific loan facility used to fund the development.

13. Taxation

	2021 £'000	2020 £'000
UK corporation tax		
Current tax charge for the year	**-**	-
Adjustment in respect of previous years	**-**	-
Total tax charge on surplus on ordinary activities	**-**	-

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:

	2021 £'000	Restated 2020 £'000
Surplus on ordinary activities before taxation	**14,613**	15,400
Current tax at standard corporation tax rate	**2,776**	2,926
Effects of tax free income due to charitable activities	**(2,776)**	**(2,926)**
Expenses not deductible for tax purposes	**-**	**-**
Income not taxable for tax purposes	**-**	**-**
Adjustments in respect of prior periods	**-**	**-**
Total tax charge on surplus on ordinary activities	**-**	**-**

14. Housing properties

	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed low-cost home ownership properties £'000	Low-cost home ownership properties under construction £'000	Total £'000
Cost					
At 1 April 2020	**703,076**	**14,881**	**26,005**	**7,245**	**751,207**
Prior year adjustment	411	(2,178)	-	329	(1,438)
At 1 April 2020 restated	**703,487**	**12,703**	**26,005**	**7,574**	**749,769**
Additions	6,365	18,853	-	11,201	**36,419**
Capitalised interest	-	347	-	296	**643**
Disposals	(1,442)	-	(228)	(4,099)	**(5,769)**
Transfer from/(to) stock	790	(912)	-	(3,354)	**(3,476)**
Transfer to abortive works	-	-	-	115	**115**
Transfer on completion	11,436	(11,436)	4,472	(4,472)	**-**
Component replacements	(2,750)	-	(193)	-	**(2,943)**
Reclassifications	(749)	-	749	-	-
At 31 March 2021	**717,137**	**19,555**	**30,805**	**7,261**	**774,758**
Depreciation					
At 1 April 2020	**(135,357)**	**-**	**(1,398)**	**-**	**(136,755)**
Charge for the year	(12,566)	-	(201)	-	**(12,767)**
Disposals	347	-	6	-	**352**
Transfers to stock	(173)	-	-	-	**(173)**
Component replacements	1,444	-	-	-	**1,444**
Reclassifications	(16)	-	16	-	**-**
At 31 March 2021	**(146,321)**	**-**	**(1,577)**	**-**	**(147,898)**
Impairment					
At 1 April 2020	**(56)**	-	-	-	**(56)**
Charge for the year	27	(88)	-	-	**(61)**
At 31 March 2021	**(29)**	(88)	-	-	**(117)**
Net Book Value					
At 1 April 2020 restated	**568,074**	**12,703**	**24,607**	**7,574**	**612,958**
At 31 March 2021	**570,787**	**19,467**	**29,228**	**7,261**	**626,743**
Freehold	522,366	19,467	29,228	7,261	**578,322**
Long-leasehold	48,421	-	-	-	**48,421**
At 31 March 2021	570,787	19,467	29,228	7,261	**626,743**

Additions to housing properties in the year included improvement works to existing properties of £6,507,056 (2020: £7,989,000) and capitalised interest of £643,000 (2020: £165,000) at an average rate of 2.1% (2020: 1.8%). Expenditure on works to existing properties charged to the statement of comprehensive income totalled £29,656,000 (2020: £25,189,000).

15. Investments including properties

	Investment in subsidiary undertaking £'000	Investment properties £'000	Total £'000
At 1 April 2020 combined	**234**	8,111	**8,345**
Additions	-	-	**-**
Revaluation	-	177	**177**
At 31 March 2021	**234**	**8,288**	**8,522**

Onward Homes Limited invested £234,000 in Atrium City Living Limited in March 19 which comprised a further £50,000 £1 shares and the remaining £184,000 as working capital. To date, Onward Homes Limited holds a total of £50,001 in shares in Atrium City Living Limited.

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 the properties were carried out in March 2021 by external valuers, SK Real Estate, Chartered Surveyors in accordance with the RICS Appraisal and Valuation Manual. Their reports indicated that the market value of investment property was £8.3million (2020: £8.1million).

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

	2021 £'000	2020 £'000
Historic costs	6,491	6,491
Accumulated depreciation	(717)	(587)
	5,774	5,904

Onward Homes Limited comprises the following entities, all registered in England.

Organisation	Status	Registration number	Principal activity	Share capital held £
Atrium City Living Limited	Private Limited Company (by shares)	4710066	Commercial property services	50,001
Onward Build Limited	Private Limited Company (by shares)	10665852	Development company	100

Atrium City Living Limited and Onward Build Limited are not consolidated into the results of Onward Homes Limited as a full consolidation takes place at the ultimate parent undertaking level, Onward Group Limited.

NOTES TO THE FINANCIAL STATEMENTS (continued)

16. Other tangible fixed assets

	Freehold land and buildings £'000	Scheme equipment £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2020	**13,243**	**1,243**	**1,303**	**15,789**
Write-offs	**(17)**	**(9)**	**18**	**(8)**
Additions	266	173	94	533
Disposals	(1,090)	-	(317)	(1,407)
At 31 March 2021	**12,402**	**1,407**	**1,098**	**14,907**
Depreciation				
At 1 April 2020	**(4,196)**	**(296)**	**(1,284)**	**(5,776)**
Reversal of depreciation*	**365**	**-**	**-**	**365**
Write-offs	**-**	**-**	**(7)**	**(7)**
Charge for the year	(371)	(65)	(43)	(479)
Disposals	1,090	-	317	1,407
At 31 March 2021	**(3,112)**	**(361)**	**(1,017)**	**(4,490)**
Net book value				
At 1 April 2020	**9,047**	**947**	**19**	**10,013**
At 31 March 2021	**9,290**	**1,046**	**81**	**10,417**

*The reversal of depreciation charge relates to the Hattersley Community hub office which was incorrectly depreciated since 2008 when it should have been from 2012. This adjustment is to correct this.

17. Debtors: amounts falling due after one year

	2021 £'000	2020 £'000
VAT shelter	**79**	56
Loans to related parties	**23,764**	16,851
	23,843	16,907

18. Properties for sale and work in progress

	2021 £'000	2020 £'000
Properties under construction – low-cost home ownership	**3,231**	3,048
Completed properties	**1,594**	618
Assets held for disposal	**-**	747
	4,825	4,413

19. Debtors

	2021 £'000	2020 £'000
Amounts falling due within one year:		
Rent and service charge arrears	**6,427**	4,740
Bad debt provision	**(3,174)**	(2,918)
	3,253	1,822
Trade debtors	**76**	15
Social Housing Grant and other grant receivable	**263**	635
Amounts owed by related parties	**7,513**	15,966
Prepayments and sundry debtors	**1,001**	280
Improvement programmes	**57**	6
Loans to related parties	**43**	-
Cash in transit	**-**	717
Other debtors	**-**	1
	12,206	19,442

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

	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 Limited (25,000 shares) and in Halton Credit Union Limited (25,000 shares).

21. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Bank and building society loans (note 23)	**8,718**	24,346
Other loans (note 23)	**630**	589
Bond issue costs (note 23)	**(37)**	-
Issue costs (note 23)	**(92)**	(52)
	9,219	24,883
Trade creditors	**657**	1,178
Capital creditors and retentions	**357**	571
Rent and service charges received in advance	**2,853**	2,690
Other taxation and social security	**626**	610
Deferred Government Grant (Financial Assistance)	**2,722**	2,679
Recycled capital grant fund	**133**	-
Social housing grant received in advance	**2,192**	2,165
Accruals and deferred income	**10,898**	11,438
Other creditors	**48**	559
Amounts owed to related parties	**4,623**	1,471
Amounts owed to leaseholders	**732**	595
Improvement programmes	**57**	6
	35,117	48,845

22. Creditors: amounts falling due after one year

	2021 £'000	Restated 2020 £'000
Bank and building society loans (note 23)	**107,410**	156,128
Other loans (note 23)	**10,148**	10,778
Bond	**215,000**	-
Bond Discount	**(4,416)**	-
Bond issue costs	**(1,154)**	-
Issue costs (note 23)	**(297)**	(131)
	326,691	166,775
Capital creditors and retentions	**615**	377
Recycled Capital Grant Fund	**252**	731
Deferred Government Grant (Financial Assistance)	**222,711**	223,136
Improvement programmes	**79**	56
Amounts owed to leaseholders	**88**	627
	550,436	391,702

23. Debt analysis

	2021 £'000	2020 £'000
Bank and Building Society loans	**116,128**	180,474
Other loans	**10,778**	11,367
Bond	**215,000**	-
Bond Discount	**(4,416)**	-
Bond issue costs	**(1,191)**	-
Issue costs	**(389)**	(183)
	335,910	191,658

All bank, building society and other loans are secured by charges either on the Association's housing properties or on the rental streams arising from properties. Loans are repayable in instalments with final dates up to 2038. As at 31 March 2021 interest rates chargeable varied from 0.43% to 11.67%.

	2021 £'000	2020 £'000
Gross debt is repayable in instalments as follows:		
Within one year	**9,348**	24,935
Between one and two years	**5,875**	11,189
Between two and five years	**22,767**	24,058
After five years	**303,916**	131,659
	341,906	191,841

	Properties under charge	**Amount drawn £'000**	Valuation of units £'000
Loan charges	12,345	341,906	560,614

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.

23. Debt analysis (Cont'd)

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 (Financial Assistance)

	2021 £'000	Restated 2020 £'000
The total accumulated government grant and financial assistance received or receivable at 31 March:		
Held as deferred capital grant at start of the year	**225,815**	223,407
Grant received in the year	**5,175**	6,978
Grants in advance	**(2,109)**	-
Disposals	**(428)**	(465)
Transfer to properties held for sale	**291**	(291)
Reclassification to deferred capital grant	**-**	-
Recognised in the Statement of Comprehensive Income in the year	**(3,311)**	(3,814)
At end of the year	**225,433**	225,815
Due within one year	**2,722**	2,679
Due after one year	**222,711**	223,136
	225,433	225,815

Amounts recognised in the statement of comprehensive income of £3,311,000 includes non-social housing grant of £650,000. Only the social housing grant of £2,661,000 is recognised in note 4

25. Recycled Capital Grant Fund

	2021 £'000	2020 £'000
At start of the year as combined and restated	**731**	555
Grants recycled	**466**	**366**
Grant released to the SOCI	**(390)**	-
Recycling to new build development	**(422)**	**(190)**
At end of the year	**385**	731
Due within one year	**133**	-
Due after one year	**252**	731
	385	731
Amount three years or older where repayment may be required	**-**	-

26. Financial instruments

	2021 £'000	Restated 2020 £'000
Financial assets measured at transaction price adjusted for transaction costs (historic cost):		
Trade receivables (note 19)	**76**	17
Other receivables (note 19 & 17)	**35,973**	36,332
Cash and cash equivalents	**162,238**	19,786
Total financial assets	**198,287**	56,135
Financial liabilities measured at transaction price adjusted for transaction cost (historic cost):		
Loan payable (note 23)	**341,906**	191,841
Trade creditors (note 21)	**657**	1,178
Other creditors	**248,986**	247,528
Total financial liabilities	**591,549**	440,547

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

	2021 £'000	2020 £'000
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:		
Floating rate	**217,950**	130,274
Fixed rate	**117,960**	61,567
	335,910	191,841

27. Obligations under operating leases

The Association leases some of its land and buildings. Payments are accounted for in the month in which they are receivable. The future minimum lease receipts under non-cancellable operating leases are as follows:

	Land and buildings	
	2021 £'000	2020 £'000
Leases expiring:		
Within one year	**17**	17
In the second to fifth years	**65**	66
In more than five years	**266**	282
At end of the year	**348**	365

During the year £17,000 was recognised as income in the statement of comprehensive income in respect of operating leases receivable (2020: £21,000).

The Association 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 is as follows:

27. Obligations under operating leases (Cont'd)

	Vehicles and equipment		Land and buildings	
	2021 £'000	2020 £'000	**2021 £'000**	2020 £'000
Leases expiring:				
Within one year	**53**	57	**283**	283
In the second to fifth years	**122**	175	**1,045**	1,067
In more than five years	**-**	-	**2,196**	2,456
At end of the year	**175**	232	**3,524**	3,806

During the year £428,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2020: £194,000).

28. Provisions for liabilities

	2021 £'000	2020 £'000
Public liability insurance and disrepair claims:		
At start of the year	**644**	689
Additional provision in year	**376**	-
Transfer out of provisions	**-**	(45)
At end of the year	**1,020**	644

29. Pension liabilities

	2021 £'000	2020 £'000
At start of the year	**13,606**	35,134
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)
At end of the year	**28,518**	13,606

30. Non-equity share capital

	2021 £	2020 £
Shares of £1 each fully paid and issued:		
At start of the year	**8**	18
Shares issued in the year	**1**	-
Cancelled during the year	**-**	**(10)**
At end of the year	**9**	8

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.

***This note is shown in £s rather than £'000s**

31. Transactions with related parties

During the year the Association transacted with Onward Group, its ultimate parent organisation and other subsidiaries 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 provisions required for uncollectible balances and no bad debt expense is required.

	2021 £'000	2020 £'000
Recharge by related party		
Onward Group Limited	**409**	-
Atrium City Living Limited (non- regulated)	**-**	31
Hyndburn Home Repairs Limited	**266**	235
Contour Property Services	**1,070**	358
Onward Build	**104**	-
Contour Homes Limited	**10,847**	10,897
	12,696	11,521

	2021 £'000	2020 £'000
Recharge by service		
Management services	**12,696**	11,521
Pension past service deficit recharges	**-**	-
	12,696	11,521

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:	2021 £'000	2020 £'000
Onward Group Limited	**4,543**	4,024
Atrium City Living Limited (non- regulated)	**-**	-
Contour Homes Limited	**296**	-
Contour Property Services :Limited (non-regulated)	**-**	-
Hyndburn Homes Repairs Limited (non-regulated)	**3,662**	3,228
	8,501	7,252

Debtors falling due within one year	2021 £'000	2020 £'000
Onward Group Limited	**-**	5,864
Contour Homes Limited	**6,336**	8,085
Hyndburn Homes Repairs Limited (non-regulated)	**449**	562
Contour Property Services Limited (non-regulated)	**670**	347
Onward Build	**101**	1,108
	7,556	15,966

31. Transactions with related parties (cont'd)

Debtors falling due after more than one year	2021 £'000	2020 £'000
Atrium City Living Limited (non-regulated)	**3,675**	1,896
Contour Homes Limited	**900**	-
Hyndburn Homes Repairs Limited (non-regulated)	**2,600**	-
Onward Build	**16,589**	14,955
	23,764	16,851

Creditors: amounts falling due within one year	2021 £'000	2020 £'000
Onward Group Limited	**3,410**	-
Contour Homes Limited	**-**	1,260
Atrium City Living Limited (non-regulated)	**141**	-
Hyndburn Homes Repairs Limited (non-regulated)	**1,072**	211
	4,623	1,471

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 City Living Limited, Contour Property Services Limited and Hyndburn Homes Repairs Limited (non-regulated) are based on an agreed fee structure per unit for management and development or per property sale.

32. Capital commitments

	2021 £'000	2020 £'000
Capital expenditure contracted for but not provided for in the financial statements general balance	**56,821**	15,191
Capital expenditure authorised by the Board but not yet contracted for general balance	**80,555**	26,453

Capital expenditure commitments are funded through grant funding (Homes England Affordable Homes Programme) and recycled grant, £38,089,000 and cash from approved loan agreements, property sales and retained surpluses, £99,287,000.

33. Impairment

Under FRS102 the Association 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 a detailed impairment review was carried out and reviewed by the Board. In total the Association approved net impairment provisions of £61,000 in the year (2020: £56,000).

34. Contingent liabilities

There were no contingent liabilities as at 31 March 2021.

35. Pension costs

(a) The Social Housing Pension Scheme

The company participates in the Social Housing Pension Scheme (the scheme), a multi-employer scheme which provides benefits to some 500 non-associated employers. The Scheme is a defined benefit scheme in the UK.
The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The last 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.

Assumptions	**2021**	2020
Inflation	2.9%	1.6%
Rate of discount on scheme	2.2%	2.4%
Rate of salary increase	3.9%	2.6%
Rate of increase of pensions	3.9%	2.6%
Life expectancy male non-pensioner	22.9	22.9
Life expectancy female non-pensioner	25.1	24.5
Life expectancy male pensioner	21.6	21.5
Life expectancy female pensioner	23.5	23.3

35. Pension costs (cont'd)

(a)The Social Housing 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	**109,494**	98,824
Present value of liabilities	**(137,208)**	(111,955)
Deficit in the scheme	**(27,714)**	(13,131)

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		
Global Equity	**17,451**	14,454
Absolute Return	**6,044**	5,153
Distressed Opportunities	**3,162**	1,903
Credit Relative Value	**3,445**	2,710
Alternative Risk Premia	**4,124**	6,910
Fund of Hedge Funds	**13**	57
Emerging Markets Debt	**4,420**	2,992
Risk Sharing	**3,986**	3,337
Insurance-Linked Securities	**2,630**	3,035
Property	**2,274**	2,177
Infrastructure	**7,300**	7,355
Private Debt	**2,611**	1,992
Opportunistic Illiquid Credit	**2,784**	2,392
High yield	**3,279**	-
Opportunistic credit	**3,002**	-
Cash	**1**	-
Corporate Bond Fund	**6,469**	5,635
Liquid Credit	**1,307**	40
Long Lease Property	**2,146**	1,710
Secured Income	**4,553**	3,750
Liability Driven Investment	**27,827**	32,799
Net Current Assets	**666**	423
Total	**109,494**	98,824

35. Pension costs (cont'd)

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

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

	2021 £'000	2020 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	**2,348**	2,240
Interest on pension liabilities	**(2,621)**	(2,995)
Net return	**(273)**	(755)

	2021 £'000	2020 £'000
Movement in (deficit) during the year		
Deficit in schemes at the start of the year	**(13,131)**	(34,240)
Contributions	**3,439**	3,313
Expected return on plan assets	**2,348**	2,240
Interest on pension liabilities	**(2,621)**	(2,995)
Administration expenses	**(68)**	(68)
Actuarial gain/(loss) in SCI	**(17,681)**	18,619
Deficit in schemes at end of the year	**(27,714)**	(13,131)

	2021 £'000	2020 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**8,518**	178
Experienced gains/(losses) arising on the scheme liabilities.	**2,291**	1,845
Change in assumptions underlying the present value of scheme liabilities	**(28,490)**	16,596
Actuarial gain/(loss) recognised in SCI	**(17,681)**	18,619

35. Pension costs (cont'd)

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

	2021	2020
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**8,518**	178
% of scheme assets	**7.8%**	0.2%
Experienced (losses)/gains on liabilities (£'000)	**2,291**	1,845
% of scheme liabilities	**1.7%**	1.6%
Total amount recognised in SCI (£'000)	**(17,681)**	18,619
% of scheme liabilities	**(12.9)%**	16.6%

	2021 £'000	2020 £'000
Reconciliation of assets		
Initial recognition of multi-employer defined benefit	**98,824**	97,108
Employer contributions	**3,439**	3,313
Benefits paid	**(3,635)**	(4,015)
Expected return on plan assets	**2,348**	2,240
Remeasurement of assets	**8,518**	178
Assets at end of year	**109,494**	98,824

	2021 £'000	2020 £'000
Reconciliation of liabilities		
Initial recognition of multi-employer defined benefit	**111,955**	131,348
Interest cost	**2,621**	2,995
Benefits paid	**(3,635)**	(4,015)
Actuarial (gain) / loss	**26,199**	(18,441)
Administration expenses	**68**	68
Benefit obligation at end of year	**137,208**	111,955

(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.

35. Pension costs (cont'd)

(b) TPT Retirement solutions – The Growth Plan (cont'd)

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.

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

1. Pension costs (cont'd)

(b)TPT Retirement solutions – The Growth Plan (cont'd)

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 also makes contributions to two Local Government defined benefit Pension schemes – the Greater Manchester Pension Fund and the Merseyside Pension Fund. The Association is a participating employer in the respective schemes.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35. Pension costs (cont'd)

(c) Local Government Pension Scheme

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

The major assumptions used in this valuation 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%

35. Pension costs (cont'd)

(c) Local Government Pension Scheme

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	S2PA CMI_2015
Non-retired members	1.75% 131% male, 106% female	1.75% 107% male, 1.50% 92% female
Retired members	1.75% 124% male, 104% female	1.75% 112% male, 1.50% 99% female

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 as follows.

	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 as follows.

	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

35. Pension costs (cont'd)

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

	2021 £'000	2020 £'000
Analysis of the amount charged to operating surplus		
Current service cost	**57**	66
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)

	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 gain in SCI	**(296)**	118
Deficit in schemes at end of the year	**(803)**	(474)

35. Pension costs (cont'd)

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

	2021 £'000	2020 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**218**	(130)
Experienced losses arising on the scheme liabilities.	**-**	(10)
Change in assumptions underlying the present value of scheme liabilities	**(514)**	258
Actuarial 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%**	-11.63
Experienced (losses)/gains on liabilities (£'000)	**-**	(10)
% of scheme liabilities	**0%**	-0.63%
Total amount recognised in SCI (£'000)	**(296)**	118
% of scheme liabilities	**-13.35%**	7.41%

	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

	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

36. 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.

37. 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.

38. Prior Year Adjustment

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

Due to these restatements, in 2020 Onward Homes turnover has been restated to £100,405,000, operating costs have been restated to (£77,194,000) and gain/loss on disposal of housing properties have been restated to (£203,000). This has resulted in a restated operating surplus of £19,036,000, a restated surplus on ordinary activities before tax of £13,255,000 and a restated comprehensive income of £31,992,000.

The total impact on the reserves balances as at 31 March 2020 is a decrease of £754,000.

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 the impact on prior years has to be corrected, by way of a prior year adjustment, for comparative purposes.

This change in accounting policy has resulted in a reduction in the operating cost of £1.4m for the year ended 31st March 2020. The £1.4m is made up of £415k 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 £1.4m 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.

38.Prior Year Adjustment (cont'd)

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.

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	99,721	-	**99,721**
Cost of Sales	(3,972)	-	**(3,972)**
Operating costs	(78,585)	1,391	**(77,194)**
Gain/(loss) on disposal of housing properties	2,626	-	**2,626**
Operating surplus	**19,790**	**1,391**	**21,181**
Surplus on ordinary activities before taxation	**14,009**	**1,391**	**15,400**

	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	614,396	(1,438)*	**612,958**
Creditors: falling due after one year	(392,386)	684	**(391,702)**
Total capital and reserves	**237,871**	**(754)**	**237,117**

*This is a combination of a £1.4m capitalised salary adjustment and a (£2.8m) write-off for the Hattersley adjustment.