Onward

Annual Report and Financial Statements

FOR THE YEAR ENDED 31 MARCH 2017

FCA Registration number 31216R

HCA Registration number L4649

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Annual Report and Financial Statements

BOARD, SENIOR MANAGMENT AND ADVISORS

Members of the Board

Non-Executive Directors

Neil Goodwin (Chairman)

Wyn Dignan (appointed February 2017)

Breda Dutton

Paul High (appointed March 2017)

Brian Roebuck (Deputy Chairman)

Mike Verrier (appointed February 2017)

Charlene Wallace (appointed February 2017)

Executive Directors

Bronwen Rapley, Chief Executive appointed to the Board in February 2017

Alastair Cooper Executive Director (Operations) appointed to the Board in February 2017

Lisa Oxley Executive Director (Finance and ICT) appointed to the Board in February 2017

Members who left during the period

Jonathan Goldblatt (July 2016)

Allan Chan (January 2017)

Hilary Vaughan (January 2017)

Susan Taylor (January 2017)

Company Secretary

Tejvinder Minhas Executive Director (Corporate Services) appointed July 2017

Brigid Burbridge (appointed February 2017)

Audrey Davidson (resigned January 2017)

Principal Banker

Nat West plc
33 Piccadilly
Manchester, M1 1LR

Principal Solicitors

Brabners Chaffe Street LLP

Horton House, Exchange Flags
Liverpool, L2 3YL

Trowers & Hamlins LLP

55 Princess Street, Manchester M2 4EW

External auditor

KPMG LLP

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

FORWARD BY THE GROUP CHAIRMAN

I am pleased to report Onward Homes' performance for 2016-17.

We have made significant progress on our journey to simplify the business and restructure the organisation. We have established a unitary common board for the majority of the former group structure and we hope to amalgamate into one organisation in the next 12 months. We have also agreed a de-merger with one subsidiary, Cobalt which we expect to complete this year.

We have seen the departure of several of our long-serving board members and managing directors who have stepped aside to enable the strengthening of the group through amalgamation. It is in recognition of their legacy and the progress of the individual organisations that we have rebranded to 'Onward' reflecting the momentum generated from those strong foundations.

We have been encouraged that to date the recovery work on the regulatory downgrade has not found any significant health and safety issues in our homes, but has rather confirmed a lack of data integrity. We have invested considerable time and effort to remedy this and to improve both landlord compliance and asset management. We are making good progress.

We remain financially strong with significant cash reserves. Turnover is down by 1% from the prior year but reducing costs by 3% alongside optimised spending programmes has contributed to the £29.6m surplus.

During the year we have invested £40.2m in improving our existing assets and developing 156 new homes, including supported housing at May Tree Court, Knowsley for people with physical and learning difficulties. We intend to invest heavily to build more homes in the coming year and have brought together a skilled team to improve our asset management to maximise the investment we are able to make in growth and regeneration. Nevertheless we anticipate a continued downward pressure on rents which we will seek to mitigate through efficiency so far as we can.

We let 400 homes this year to people who were homeless. We remain committed to tackling youth homelessness and were pleased to host an event for 50 young people from Liverpool to raise awareness of the issues that can lead to homelessness and the support that is available to help prevent it.

We have also invested in supporting our residents into employment and training through initiatives such as Talent Match, supporting young people who need extra support to help them along their pathway to work; providing free IT sessions to support residents in their job search and through our award winning First Call project in Hyndburn.

The economic and social challenges we face mean that there is a need for significant regeneration in many areas of the North West. Onward has a long term commitment to the region and a track record of delivery. We can and will bring the skill, investment and commitment to partnership with residents, the public and the private sector that delivers sustainable regeneration for the benefit of those communities, now and in the future.

My thanks to colleagues throughout the organisation for their commitment and persistence in a year of change. Although our focus this year has been inward, in the coming year our focus will be resolutely 'onward'.

Neil Goodwin
Chairman

STRATEGIC REPORT

Introduction

The Board presents its Strategic Report, containing the Operating and Financial Review and value for money section, for the year ended 31 March 2017.

Overview and background

Onward Homes, formerly known as Symphony Housing Group, was formed in April 2011 through the amalgamation of Vicinity Housing Group and Contour Housing Group. The legal change of name took place on 3 May 2017.

The group, as one of the largest housing and regeneration organisations operating in the North West of England, is a significant player in the region.

Legal structure and objectives

Onward Homes (the 'group') is a non-charitable Registered Society under the Cooperative and Community Benefit Societies Act 2014.

It is registered with the Financial Conduct Authority with a registration number of 31216R.

The group is registered with the Homes and Communities Agency (HCA) as a Registered Provider of social housing with a registration number of 4649.

Financial review

The group has delivered another strong financial performance. It generated comprehensive income for the year of £26.9m (2016: £30.6m) on a turnover of £182.0m (2016: £183.8m).

A summary of the group's financial performance in a five-year summary is shown below:

Statement of comprehensive income (£ million)	**2017**	**2016**	**2015**	**2014 ***	**2013***
Turnover	**181.3**	183.8	181.3	164.2	155.6
Operating costs and cost of sale	**(135.7)**	(139.8)	(134.0)	(128.5)	(113.0)
Operating surplus	**45.6**	44.0	47.3	35.7	42.6
Net interest charge	**(15.9)**	(16.5)	(15.9)	(15.0)	(15.2)
Surplus on disposal of assets	**(0.1)**	0.5	0.1	2.3	1.0
Taxation	**-**	-	-	-	(0.1)
Surplus for the year after tax	**29.6**	28.0	31.5	23.0	28.3
Other comprehensive income	**(2.7)**	2.6	(4.7)	**-**	**-**
Total comprehensive income for the year	**26.9**	30.6	26.8	23.0	28.3
Financial position(£ million)	**2017**	**2016**	**2015**	**2014**	**2013**
Housing properties at cost less depreciation	**1,210.7**	1,211.4	1,210.8	1,271.4	1,225.7
Social Housing and other grants	**-**	-	-	(582.4)	(575.7)
	1,210.7	1,211.4	1,210.8	689.0	650.0
Other fixed assets and investments	**41.2**	43.7	39.0	34.0	31.5
Net current assets	**106.8**	104.1	92.8	108.7	65.5
	1358.7	1,359.2	1,342.6	831.7	747.0
Loans due after one year	**432.7**	454.4	465.8	471.2	411.1
Other long term liabilities	**483.6**	489.2	491.5	11.4	14.1
Revenue reserves	**442.4**	415.6	385.3	349.1	321.8
	1358.7	1,359.2	1,342.6	831.7	747.0
Financial Ratios	**2017**	**2016**	**2015**	**2014**	**2013**
Operating margin	**25.1%**	23.9%	26.1%	21.7%	28.5%
Net margin	**16.3%**	14.6%	17.4%	14.0%	18.9%
Return on net assets (RONA)	**2.2%**	2.0%	2.3%	2.8%	3.8%
Return on capital employed (ROCE)	**2.9%**	3.3%	3.5%	4.8%	6.0%
EBITDA	**40.3%**	41.9%	43.9%	37.9%	42.9%
Interest cover	**2.9**	2.9	2.9	2.6	3.1
Gearing	**50.4%**	53.8%	56.3%	51.6%	46.3%
Operating cost per unit	**£3,808**	£3,464	£3,382	£3,544	£3,017
Net debt per unit	**£12,700**	£12,746	£12,980	£13,500	£11,684

*Figures not restated for FRS102

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Operating and financial review (cont'd)

The group is pleased to report a surplus for the year of £29.6m (2016: £28.0m). The surplus was ahead of the budget of £26.5m and is 16.3% as a percentage of turnover (2016: 15.2%). The operating margin was 25.1%.

Overall turnover decreased from £183.8m to £181.3m in 2017 - a decrease of 1.4%. This is in the main linked to the reduction in general needs rents by 1% in April 2016. Despite this the group generated a strong net cash flow from operating activities of £77.6m (2016: £75.7m).

The group ended the year with cash and short-term investments of £149m. These resources will continue to be used to fund the group's business objectives over the next three years.

At a group level, interest cover (which measures the extent to which the adjusted surplus covers interest payments) is 2.9 in 2017 (2016: 2.9), and gearing (which measures the level of indebtedness) has reduced to 50.4% (2016: 53.8%). These ratios remain within the minimum and maximum levels permitted by funders' loan agreements, respectively.

These results reflect a commitment to safeguarding the group's long-term financial viability through prudent planning and effective financial management. The surplus achieved in 2017 will be used to increase future investments in our homes, services and neighbourhoods. In November 2016 the Group's financial viability rating was confirmed as V1 by the HCA. The group's viability assessment is also underpinned by a robust sensitivity and stress testing analysis.

Operating review

The last twelve months have remained challenging but ultimately successful for the group. Despite a difficult financial and operating environment, the group has outperformed against all the financial targets set in the first year of its 2016-17 financial plan and maintained its financial viability and strength.

A key focus of the year has been the development of Building One Organisation, a process of moving the group to a single management structure. The creation of Onward Homes as a brand with the strap line "creating positive spaces" flowed out of our legacy as a group of organisations with rich histories. Our purpose is "to make a positive difference in the communities we serve".

The group and member organisations recognise these strategic and business objectives as giving long-term strategic focus within which to align their business plans and objectives. Our vision, values and strategic direction will provide a strong foundation for securing a future for Onward Homes through the next five years and beyond. Each objective and project set to help achieve overall objectives has medium-term goals to be delivered over the coming years along with our immediate targets for improvement to be delivered in 2017-18.

Performance

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

Measure	2017	2016	2015	2014	2013
Void Loss %	1.6%	1.9%	2.2%	2.4%	2.3%
Average re-let (days)	40	46	45	43	35

One of the group's key performance indicators is the amount of money that it loses when properties become void and cannot be immediately re-let. The group 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. As a consequence of the initial implementation of social and welfare reform, we have seen both void losses and re-let times remain high despite the mitigations that have been put in place across the group. They will continue to be monitored by Board.

Performance (cont'd)

Measure	2017	2016	2015	2014	2013
Rent Collection %	99.9%	99.4%	98.7%	99.3%	98.6%
Arrears - current residents %	5.4%	5.7%	5.8%	5.2%	5.7%
Arrears - former residents %	1.6%	1.7%	1.6%	1.3%	1.3%
Arrears - Total %	7.0%	7.4%	7.4%	6.5%	7.0%

Another key group indicator is the amount of rent collected and the amount of arrears. Despite the impact of welfare reform, our overall rent collection performance remains high and has been maintained in the year at 99.9% (2016: 99.9%).

The standard of our repairs service and the quality of our homes both remain really important to the organisation. The average number of response repairs per property was 3.84 at a cost of £415.40. 90.9% of responsive repairs were completed in the target time.

On financial management the group 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.

Measure	2017	2016	2015	2014	2013
Actual results > Business Plan	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Budget net surplus	£26.5m	£24.3m	£17.8m	£18.8m	£20.1m
Actual net surplus	£29.6m	£27.9m	£29.6m	£23.0m	£28.3m
Loan covenant compliance	**Compliant**	**Compliant**	**Compliant**	**Compliant**	**Compliant**

Opportunities to secure efficiency gains and cash savings are also actively pursued. This approach has once again delivered a set of financial results ahead of budget and business plan.

Risk and uncertainty

Effective risk management is vital to the success of any group or entity. The group risk map details those risks that could prevent the business from achieving its strategic objectives. The Audit and Risk Committee review and scrutinise the strategic risk maps on a regular basis. The Board considers the following risks the most likely to affect future performance and our ability to achieve our five year plan.

Risk and uncertainty (cont'd)

Risk	Description
Change transformation programme	Change transformation programme is not delivered on time and to budget. Lack of senior capacity to manage the complexities of the transformation project. Constitutional issues or problems obtaining the necessary consent
People	People - Poor/falling colleague morale has impact on performance
Governance: further governance failure	Further governance failure
Governance: recovery plan	Failure to deliver the HCA Recovery Plan/ Landlord Compliance Action Plan
Development	Non delivery of the HCA development programme
External focus	External focus and position not effectively handled during transition
Fraud	The business is subject to Fraud, Money Laundering and acts of Bribery and does not comply with relevant legislation in these key areas
Income	Unable to respond to downward pressure on income streams
Costs	Unable to respond to upwards pressures on costs
Business continuity	Unable to respond effectively to an emergency incident

The disaster at Grenfell Tower has resulted in Onward Homes carrying out a review of all its blocks over six stories in line with Government guidance. The group has worked collaboratively with local fire authorities to ensure fire safety is maintained providing reassurance to customers residing in our six tower blocks and has reviewed current evacuation procedures with customers individually while continuing to provide fire safety advice to customers generally. All fire safety documentation and controls have been reviewed and following investigations external cladding installed to a number of the tower blocks has been confirmed to meet current fire safety standards. This risk will continue to be monitored and reviewed over the coming months.

In April 2016 a number of issues arose which raised concerns about the group's compliance with its legal obligations and the HCA's Regulatory Framework. The issues related to non-compliance with standards due to concerns about health and safety data and assurance, which were raised in an internal audit of fire safety and in relation to statutory compliance with health and safety obligations.

The above concerns were reported to the HCA's regulatory team in May 2016. Following a regulatory review and judgement the group was found non-compliant with the governance requirements set out in the Governance and Viability Standard, which has resulted in the group's governance rating being downgraded to G3.

The group developed robust action plans to address the above concerns and will continue to discuss progress with the regulator. Work is underway in line with an agreed action plan to present evidence of compliance o the regulator later in 2017.

Treasury objectives and strategy

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

It also acknowledges that effective treasury management will provide support towards the achievement of its business and service 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/parameters within which the treasury management function operates, including:

- A limit on exposure to variable interest rates, currently 36% (2015:37%)
- Use of derivative instruments
- Approved sources of borrowing and investment

The group is financed by a combination of retained reserves, long-term loan facilities and project-specific grants to part-fund the acquisition and development of new homes. The group has the financial capacity to repay its loans in accordance with the repayment profile of its loan facilities. However, pursuit of further development opportunities beyond 2017-18 may involve new funding facilities being agreed. Should this be necessary, it will be done in a timely and ordered manner.

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

The group had committed undrawn loan facilities of £52.0m (2015: £53.1m) both of which are fully charged.

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

Corporate governance

The Board complies with the National Housing Federation Code of Governance and is committed to upholding the Code of Practice for Board Members. The Board meets frequently to determine policy and to monitor the performance of the group and member organisations. Other than issues relating to internal control as disclosed separately in this report, there are no areas of non-compliance.

The Group operates three committees:

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

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

Value for Money (VfM)

Achieving value for money, along with continuous and sustained improvement, remains a key strategy priority of the association. We seek to incorporate value for money into everything we do and it has become an integral part of our management and decision making process.

Value for Money ("Wise Spending") is a key strategy for the group and association and fits with the commitment to VfM.

The strategy sets out why the group and association are committed to providing high quality value for money services, and what is done to seek to achieve more for less or more for the same, where value for money savings or efficiencies can be achieved. Value for money allows the multiplication of the investment made in neighbourhoods and communities, sometimes financially but also in other terms so there is real impact and we make a real difference.

Our value for money strategy is:

"to provide core services in the most efficient and effective way possible in order to provide financial capacity for added value and enhanced services"

Our strategy for value for money is in place, not because of a regulatory standard, but because it is what a good business should be doing.

We have a clear vision of **"make a difference in the communities we serve"** and we aim to do that by delivering value for money through everything we do in order that we can do more. If we get that right we can protect what we have, strengthen our viability, retain and attract customers, invest more in neighbourhoods, communities and people and make better decisions over the risks and challenges that we face.

Sign Post

The strategy can be found on our website http://www.onward.co.uk/etc

Our strategy sets us out on a journey of embedding value for money through our financial planning. We have developed a series of financial metrics which we implemented as part of the 2016-17 budget and financial planning and have continued to use. We are increasingly looking at our underlying surplus and contribution rates by activity and product.

When we talk about value for money we are conscious that it means different things to different people. Some think that value for money is about saving money. Others focus on how things are done to look for better or different ways. The final group are concerned about improving the final product, looking at the quality or outcome. In reality, as it is for most of us and particularly for customers, it is about finding the mix of all three but deciding where to start or where to focus is not easy.

We therefore describe value for money as the relationship between the three measures. Value for money is:

"Making the most efficient use of our assets and resources to deliver high quality services that successfully meet customer needs and expectations at lowest possible cost"

There is a focus on costs but also on services and being efficient. One cannot be the others to meet our objective. To this end we have called our work on value for money as Wise Spending. Our owl reminds us that we need to look for savings and efficiencies, but wisely, not at expense of quality services for customers. After all, that is what we are all about.

Value for Money (VfM) (cont'd)

The Board with the Executive Team is responsible for the VfM strategy and for overall and compliance with regulatory requirements. The strategy is being delivered through an integrated approach which includes actions:

- establishing a VfM action plan documenting both efficiency improvements providing financial returns as well as increased social returns
- setting budgets and business plans which include efficiency targets and improvements to services based on action plans. We engage in rigorous sensitivity analysis assessing all risks within the organisation and have adequate safeguards in place against such risks occurring
- supporting a continuous focus on ensuring VfM is embedded within the culture of the organisation through Wise Spending as well as attendance at relevant seminars, conferences and training activities. VfM is part of our day-to-day activities and we encourage our staff to embed the thought process of treating the organisations money as their own, would they be willing to pay such a price for a particular service?
- ensuring regular and effective monitoring of efficiency targets at Board and Executive Team meetings ensuring VfM objectives are being met
- monitoring performance closely through regular analysis of performance indicators against internal targets and comparatives and benchmarked against the sector averages and similar size organisations
- ensuring attendance at regular VfM steering group meetings held to discuss the progress action plans and production of self-assessments
- enabling an annual review of the VfM strategy by Board and the Executive Team ensuring it is updated for any changes to the regulatory standard or further elements identified, remaining robust and relevant.
- ensuring clear roles for the Board to ensure we collectively adhere to the requirements of our stakeholders
- reviewing the self-assessment to ensure consistency with year-end results and the actions and activity communicated through other Board meetings held during the year

Value for Money (VfM) (cont'd)

Details of the group and association approach to VfM is set out in the annual self-assessment. This covers our operational, benchmarking, an analysis of the return on assets, links to social impact and how we have spent money adding value and the gains made over the past year.

The Board will continue to review progress against the corporate and business plans, and assess progress against the delivery of agreed priorities and targets including those which are VfM-related. It will also continue to review this VfM self-assessment process in the context of its wider role of monitoring and ensuring compliance, and helping to drive further improvements on a cross-group basis.

Sign Post

The VfM Self-Assessment can be found on the website:
http://www.onward.co.uk/what-we-do/value-for-money/

Strategic report

The Strategic report including the Operating and Financial Review was approved by the Board on 19 July 2017 and signed on its behalf by:

Tejvinder Minhas

Company Secretary

12 Hanover Street, Liverpool, L1 4AA

DIRECTORS' REPORT

The Board presents the Onward Homes Limited (formerly known as Symphony Housing Group) Annual Report (the 'Annual Report') and the audited financial statements for the year ended 31 March 2017.

The name change to Onward Homes took place on 2 May 2017.

Principal activities

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

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

The principal activity of the group is the management, maintenance and improvement of affordable homes for rent. 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 group undertakes to deliver these objectives.

Board members and executive directors

The current Board members and executive directors of the group (and others who served during the period) are set out on page 3. The Board members are drawn from a wide background bringing together professional, commercial and other experiences Board members are remunerated for their services to the group and are permitted to claim expenses incurred in the performance of their duties. Details of Board remuneration is set out in note 8 to the financial statements.

Executive director's remuneration

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

Service contracts

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

Pensions

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

Other benefits

The executive directors are not entitled to other benefits. Full details of executive remuneration are set out in note 8 to the financial statements.

Statement of compliance

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

Health and safety

Health and Safety is an integral part of the proper management of all the undertakings over which the group has control. The group promotes safe practices and continuous improvement through a Health and Safety Forum on which all parts of the group are represented. Onward Homes is committed to ensuring:

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

Donations

The group made charitable donations totalling £1,000 in the year (2016: £6,000). No political donations were made during the year.

Corporate governance

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

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

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

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

Executive team

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

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

Employee involvement

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

The group communicates and consults with its employees through a variety of structures including regular team briefings, employee emails, newsletters and trade union meetings (consultation through staff forum).

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

Corporate social responsibility

The Board are committed to being a socially responsible organisation. Managing in a socially responsible way, ensuring adherence to legislation and ethical operation. The group is actively working with local communities and partners to improve the life chances of its tenants and residents.

Disclosure of information to auditors

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

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

DIRECTORS' REPORT

Statement of Board responsibilities in respect of the accounts

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

Statement of internal control

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

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

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

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

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

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

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

Statement of internal control (cont'd)

Internal audit assurance (cont'd)
The Audit and Risk Committee oversee the work of the internal auditor and review reports issued by them. The committee is responsible for monitoring that actions identified as a result of internal audit findings 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. A register of frauds and losses is maintained and is reported to the Audit and Risk Committee.

Review of risk management and governance arrangements
Risk management arrangements should mitigate against risks materialising.

During the 2015-16 financial year, risks in relation to how the group ensures there is adequate compliance with statutory health and safety responsibilities were highlighted within the group. Further investigation by the group has led to the identification of control failures which increase the risk of issues materialising.

Following identification, the group established, with independent advice appropriate improvement plans which include a range of actions to address identified control issues and improve risk management, governance and assurance arrangements.

The group notified the regulator of its concerns and in early July 2016 it received a regulatory judgement that the group is non-compliant with the governance requirements set out in the Governance and Viability Standard and as a result, the group's governance rating was downgraded to G3. The group's Viability rating remains unchanged at V1.

During the year work to address the issues which were identified has been undertaken and the audit and independent assessment of whether sufficient work has been done to request a regrading by the HCA is underway.

Conclusion
The Board acknowledges that their responsibility applies to the full range of risks and controls across all group activities and is to ensure that planned remedial and improvement action agreed is implemented in a timely and comprehensive manner.

The Board acknowledges that historically internal control and risk management arrangements were not working adequately. The group has made good progress in implementing the improvement plans agreed with the regulator and is satisfied that, when complete, this will address the issues identified within our systems of internal control, governance and risk management arrangements.

Going concern

The group has in place long-term debt facilities (including £52million of undrawn facilities at 31 March 2017), which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term financial plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

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

DIRECTORS' REPORT

Independent auditors

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

The Directors' Report, including the financial statements, was approved by the Board on 19 July 2017 and signed on its behalf by:

Tejvinder Minhas
Company Secretary

12 Hanover Street, Liverpool, L1 4AA

INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to Onward Homes Limited

We have audited the financial statements of Onward Homes Limited (formerly Symphony Housing Group Limited) for the year ended 31 March 2017, which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group Statement of Changes in Equity, the Group Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

This report is made solely to the association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 14, the association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at: www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the group and the association as at 31 March 2017 and of the income and expenditure of the group and the association for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015 the Housing and Regeneration Act 2008.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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

Hywel Jones
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants, 1 St Peter's Square, Manchester, M2 3AE
21 September 2017

FINANCIAL STATEMENTS

Statement of Comprehensive Income
for the year ended 31 March 2017

	Notes	Group		Association	
		2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Turnover	3	**181,294**	183,750	**22,495**	22,419
Cost of sales	3	**(1,613)**	(2,564)	**-**	-
Operating costs	3	**(135,489)**	(138,477)	**(22,357)**	(22,387)
Gain/(loss) on disposal of housing properties	3/6	**1,364**	1,315	**-**	-
Operating surplus	7	**45,556**	44,024	**138**	32
(Loss)/gain on disposal of other tangible fixed assets	10	**(94)**	546	**-**	-
Interest receivable and similar income	11	**931**	884	**2**	2
Interest payable and similar charges	12	**(16,744)**	(17,436)	**(152)**	(107)
Surplus on ordinary activities before taxation		**29,649**	28,018	**(12)**	(73)
Taxation on surplus on ordinary activities	13	**(30)**	(26)	**-**	2
Surplus for the year after taxation		**29,619**	27,992	**(12)**	(71)
Other comprehensive income					
Actuarial gain/(loss) in respect of pension schemes	39	**(2,745)**	2,631	**(88)**	119
Other comprehensive income for the year		**(2,745)**	2,631	**(88)**	119
Total comprehensive income for the year		**26,874**	30,623	**(100)**	48

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.

Group Statement of Changes in Equity

	Notes	Non-equity share capital £'000	Revenue reserves £'000	Total reserves £'000
Balance at 1 April 2016		-	415,564	**415,564**
Total comprehensive income for the period		-		
Surplus / (deficit) for the year		-	29,619	**29,619**
Actuarial gains / (losses)		-	(2,745)	**(2,745)**
Balance at 31 March 2017	**33**	-	442,438	**442,438**

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

Statement of Financial Position
as at 31 March 2017

	Notes	Group		Association	
		2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Intangible assets and goodwill	14	**501**	1,088	**-**	-
Tangible fixed assets					
Housing properties	15	**1,210,209**	1,211,379	**-**	-
Investments including properties	16	**15,405**	14,299	**50**	50
Other tangible fixed assets	17	**23,832**	24,845	**930**	965
		1,249,947	1,251,611	**980**	1,015
Debtors due after one year	18	**1,965**	3,478	**6,356**	6,959
		1,251,912	1,255,089	**7,336**	7,974
Current assets					
Properties for sale and work in progress	19	**2,642**	3,055	**-**	-
Debtors due within one year	20	**17,083**	17,191	**6,451**	7,450
Investments	21	**95,953**	82,681	**-**	-
Cash and cash equivalents		**53,139**	52,822	**822**	3,778
		168,817	155,749	**7,273**	11,228
Creditors: amounts falling due within one year	22	**(62,049)**	(51,670)	**(6,572)**	(10,545)
Net current assets		**106,768**	104,079	**701**	683
Total assets less current liabilities		**1,358,680**	1,359,168	**8,037**	8,657
Creditors: amounts falling due after one year	23	**(908,301)**	(938,996)	**(7,240)**	(7,872)
Provisions for liabilities and charges	30	**(747)**	(556)	**-**	-
Pension liabilities	31	**(7,194)**	(4,052)	**(138)**	(26)
		(916,242)	(943,604)	**(7,378)**	(7,898)
Total net assets		**442,438**	415,564	**659**	759
Capital and reserves					
Non-equity share capital	32	**-**	-	**-**	-
Revenue reserves	33	**442,438**	415,564	**659**	759
Total capital and reserves		**442,438**	415,564	**659**	759

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 19 July 2017 and signed on its behalf by:

Neil Goodwin
Chairman

Lisa Oxley
Director

Tejvinder Minhas
Company Secretary

Group Statement of Cash Flows
for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Net cash generated from operating activities	37	**77,569**	75,761
Cash flow from investing activities			
Purchase and construction of tangible fixed assets		**(40,228)**	(44,674)
Purchase of intangible assets		**(390)**	-
Purchase of other tangible fixed assets		**(1,645)**	(542)
Proceeds from sale of tangible fixed assets		**4,103**	3,047
Grants received		**2,780**	5,151
Interest received		**931**	854
Net cash from investing activities		**(34,449)**	(36,164)
Cash flow from financing activities			
Interest paid		**(16,238)**	(17,127)
New loans		**1,100**	1,692
Repayment of existing borrowing		**(14,393)**	(9,700)
Movement in cash deposits		**(13,272)**	1,636
Net cash from financing activities		**(42,803)**	(23,499)
Net change in cash and cash equivalents		**317**	16,098
Cash and cash equivalents at start of year		**52,822**	36,724
Cash and cash equivalents at end of year		**53,139**	52,822

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Legal status

Onward Homes Limited 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 L4649). The registered office is 12 Hanover Street, Liverpool, L1 4AA.

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

The group comprises the following entities:

Organisation	Status	Principal Activity
Atrium City Living Limited	Private Limited Company	Commercial Property Services
Cobalt Housing Trust Limited	Registered Society	HARP*
Contour Homes Limited	Registered Society	HARP*
Contour Property Services Limited	Registered Society	Management Services
Hyndburn Homes Limited	Registered Society	HARP*
Hyndburn Homes Repairs Limited	Private Company Limited by Guarantee	Direct Labour Organisation
Liverpool Housing Trust	Registered Society	HARP*
Peak Valley Housing Association Limited	Registered Society	HARP*
Ribble Valley Homes Limited	Registered Society	HARP*

* HARP – Housing Association Registered Provider

2. Accounting policies

Basis of accounting

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

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

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

Onward Homes is exploring the process for amalgamation which may happen in the next twelve months. As a result there is a possibility that the results of the subsidiary associations may be combined with others by the time of the next financial statements although this is not yet certain.

Measurement convention

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

Going concern

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

2. Accounting policies (cont'd)

Judgement and estimates

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

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

Tangible fixed assets - housing properties

In determining the intended use, the group has considered if the asset is held for social benefit or to earn commercial rentals. The group has determined that market rented properties are investment properties. The useful depreciable lives of each component of housing properties are reviewed at each reporting date and compared to actual experience to ensure the assumed lives remain appropriate;

Other tangible fixed assets

Other than investment properties, tangible assets are depreciated over their useful lives taking into account residual values where appropriate. The estimates of useful life for the different component types and assets are detailed below;

Investment properties

The valuation of investment properties is considered at each reporting date based on either third party valuation reports or an update to those reports based on market conditions. The valuation is most sensitive to assumptions on rental growth and the discount rate applied to those cash flows;

Impairment

Reviews for impairment of housing properties are carried out when a trigger has occurred. In the previous year the government announced a change in rent policy which resulted in a material impact on the net income collected in the future for housing properties and older persons and supported accommodation where the impact came in this year the group have assessed that this impact represents a trigger for impairment review. The impairment review is conducted at the scheme level ie. the cash generating unit;

Basic financial instruments

The assessment of certain loans and interest rate fixes as basic financial instruments requires judgement. Such instruments have been reviewed in detail and have been assessed as basic because key clauses indicate that funders will not suffer a loss on breakage. In addition such instruments are only entered into by the group in order to give budgetary and cash flow certainty; they are not entered into for trading purposes and no market exists within the housing sector for such trading activity;

Pension and other post-employment benefits

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

Basic financial instruments

Tenant arrears, trade and other debtors

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

2. Accounting policies (cont'd)

Basic financial instruments (cont'd)

Trade and other creditors

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

Interest-bearing borrowings classified as basic financial instruments

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

Cash and cash equivalents

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

Turnover

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

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.

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.

Taxation

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

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

2. Accounting policies (cont'd)

Value added tax

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

Tangible fixed assets - housing properties

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

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

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

Depreciation

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

New build housing structure	60 to 100 years
Other housing structure	50 years
Boundary walls and car hard-standings	50 years
Roofs	30 to 40 years
Windows	25 to 30 years
Electrical installation	25 to 40 years
Bathrooms	25 to 30 years
Structural cladding	25 years
External doors	20 years
Boilers and heating systems	15 to 22½ years
Kitchens	15 to 20 years

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

Non-component works to existing properties

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

Interest capitalised

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

2. Accounting policies (cont'd)

Social Housing Grant

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

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

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

Investment properties

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

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

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

Investments

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

Properties held for sale and work in progress

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

Impairment

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

2. Accounting policies (cont'd)

Impairment (cont'd)

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

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

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

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

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

Housing property sales

Properties sold through tenants 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.

Intangible assets

Goodwill arising on the acquisition of subsidiary undertakings and businesses (Hyndburn Homes Limited), representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life not exceeding ten years. On 31 March 2017 this economic life was reassessed and as a result the remaining balance was amortised through the statement of comprehensive income in the current year.

Amortisation is provided evenly on the cost of other intangible fixed assets to write them down to their estimated residual values over their expected useful lives. The principal annual rates used for other assets are:

Computer software	3 to 5 years

Other tangible fixed assets

Other tangible fixed assets include those assets with an individual value in excess of £1,000.

Depreciation is provided evenly 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:

Office premises	50 to 60 years
Furniture, fixtures and fittings	5 to 10 years
Motor vehicles	4 to 5 years
Computers and office equipment	3 to 5 years
Scheme equipment	Over expected life of component

2. Accounting policies (cont'd)

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

Property managed by agents

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

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

Provisions

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

Employee benefits

Defined contribution plans and other long term employee benefits

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

Defined benefit plans

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

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

2. Accounting policies (cont'd)

Employee benefits (cont'd)

Defined benefit plans (cont'd)

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.

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

The group participates in five defined benefit plans as set out below:

- LGPS schemes – Merseyside Pension Fund, Greater Manchester Pension Fund and Lancashire County Pension Fund
- Social Housing Pension Scheme – group and LHT

The Social Housing Pension Scheme (SHPS) provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group. The group is unable to obtain sufficient information to use defined benefit accounting for this multi-employer plan, and accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of comprehensive income represents the contributions payable to the scheme in respect of the accounting period. To the extent that payments plans relate to funding a deficit, the contributions are recognised as a liability payable arising from the agreement with the multi-employer plan and results in a charge to the statement of comprehensive income. Where these payments are not expected to be settled within twelve months the liability is measured at the present value of the contributions payable.

Termination benefits

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

NOTES TO THE FINANCIAL STATEMENTS

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

	Group							
	2017				2016			
	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	**136,483**	**-**	**(98,214)**	**38,269**	137,373	-	(99,746)	37,627
Older persons housing	**17,601**	**-**	**(14,753)**	**2,848**	14,706	-	(12,578)	2,128
Supported housing	**14,751**	**-**	**(11,809)**	**2,942**	17,564	-	(15,788)	1,776
Low cost home ownership	**3,199**	**-**	**(2,784)**	**415**	3,267	-	(2,649)	618
Total	**172,034**	**-**	**(127,560)**	**44,474**	172,910	-	(130,761)	42,149
Other social housing activities								
Regeneration and development	**670**	**-**	**(2,170)**	**(1,500)**	703	-	(2,904)	(2,201)
Management services	**358**	**-**	**(244)**	**114**	420	-	(383)	37
Estate services	**-**	**-**	**(1,389)**	**(1,389)**	-	-	(1,307)	(1,307)
Shared Ownership first tranche sales	**520**	**(477)**	**-**	**43**	961	(942)	-	19
Other	**365**	**-**	**-**	**365**	1,659	-	(555)	1,104
Total	**1,913**	**(477)**	**(3,803)**	**(2,367)**	3,743	(942)	(5,149)	(2,348)
Gain/(loss) on disposal of housing properties				**1,364**				1,315
Total social housing activities	**173,947**	**(477)**	**(131,363)**	**43,471**	176,653	(942)	(135,910)	41,116
Non-social housing activities								
Market rents	**519**	**-**	**(272)**	**247**	1,300	-	(624)	676
Revaluation of investment properties	**726**	**-**	**-**	**726**	400	-	-	400
Commercial	**2,200**	**-**	**(1,492)**	**708**	2,265		(1,960)	305
Management services	**1,232**	**-**	**(46)**	**1,186**	231		824	1,055
Leaseholders	**317**	**-**	**(203)**	**114**	131	-	(147)	(16)
Properties developed for outright sale	**786**	**(1,136)**	**-**	**(350)**	1,978	(1,622)	-	356
Other	**1,567**	**-**	**(2,113)**	**(546)**	792	-	(660)	132
Total non-social housing activities	**7,347**	**(1,136)**	**(4,126)**	**2,085**	7,097	(1,622)	(2,567)	2,908
Total	**181,294**	**(1,613)**	**(135,489)**	**45,556**	183,750	(2,564)	(138,477)	44,024

4. Income and expenditure from social housing lettings

	Group					
	General needs accommodation £'000	Older persons housing £'000	Supported housing £'000	Low cost home ownership £'000	**Total 2017 £'000**	Total 2016 £'000
Income						
Rents receivable net of voids	125,398	12,323	9,451	2,273	**149,445**	150,248
Service charge income	4,138	4,019	4,192	619	**12,968**	12,569
Amortised government grants	6,591	747	794	304	**8,436**	9,116
Supporting people grants	58	500	299	3	**860**	717
Revenue grants	123	-	-	-	**123**	74
Other income from social housing	175	12	15	-	**202**	186
Turnover from social housing lettings	136,483	17,601	14,751	3,199	**172,034**	172,910
Expenditure						
Management	19,906	2,847	3,365	1,259	**27,377**	33,381
Service charge costs	4,762	3,466	3,237	479	**11,944**	11,989
Routine maintenance	25,398	2,186	996	149	**28,729**	29,049
Planned maintenance	13,256	2,317	1,469	146	**17,188**	17,698
Major repairs expenditure	2,268	147	153	36	**2,604**	-
Rent losses from bad debts	1,416	109	123	17	**1,665**	1,620
Depreciation of housing properties	29,537	3,055	2,207	522	**35,321**	35,389
Impairment of housing properties	733	392	106	-	**1,231**	905
Other costs	938	234	153	176	**1,501**	730
Total expenditure on lettings	98,214	14,753	11,809	2,784	**127,560**	130,761
Operating surplus on letting activities	**38,269**	**2,848**	**2,942**	**415**	**44,474**	42,149
Void losses	1,497	323	838	48	**2,706**	3,203

5. Accommodation owned, managed and under development

	Group	
	2017 Number	2016 Number
The number of properties in ownership at the year-end were:		
General needs accommodation (social rent)	**26,497**	30,109
General needs accommodation (affordable rent)	**1,928**	
Older persons housing	**3,672**	
Supported housing	**1,880**	4,294
Low-cost home ownership	**1,605**	1,198
Total homes owned	**35,582**	35,601
Accommodation managed by other bodies	**(296)**	(229)
Accommodation managed for other bodies / owner occupiers	**1,233**	1,178
Leasehold	**4,129**	4,301
Total homes managed	**40,648**	40,851
Non-social housing in ownership and management at the year-end:		
Market rents	**143**	143
	143	143
The number of properties under development at the year-end were:		
General needs accommodation	**88**	104
Supported housing	**-**	16
Low-cost home ownership	**16**	14
	104	134
The following agencies managed properties on behalf of the group		
Alternative Futures	**259**	284
Community Integrated Care	**78**	85
Brothers of Charity	**75**	50
Imagine	**57**	39
Creative Support	**80**	33
Mencap Homes Foundation	**42**	66
Bolton Young Persons	**27**	30
Joseph Cox Trust	**41**	41
Halton Social Services	**27**	35
Bridgfords	**-**	64
Liverpool Social Services	**-**	57
Others (individually less than 30)	**456**	523
	1,142	1,307

6. Disposal of housing properties

	Group 2017 £'000	Group 2016 £'000
Disposal proceeds from property sales	**3,981**	6,117
Carrying value of fixed assets from property sales	**(2,271)**	(4,656)
Costs on disposal	**(346)**	(146)
Gain on disposal of housing properties	**1,364**	1,315

	2017	2016
Analysis of housing property sales		
Preserved Right to Buy sales	**70**	57
Right to Acquire sales	**11**	17
Shared ownership staircasing	**23**	16
Other sales	**5**	16
	109	106

7. Operating surplus

Operating surplus is stated after charging:	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Depreciation of housing properties	**33,798**	35,662	**-**	-
Depreciation of other fixed assets	**2,160**	2,401	**35**	35
Impairment of housing properties	**143**	905	**-**	-
Amortisation of intangible assets	**1,270**	108	**-**	-
Surplus on disposal of housing properties	**(1,364)**	(1,315)	**-**	-
Deficit/(surplus) on disposal of other tangible fixed assets	**94**	(546)	**-**	
Amortisation of government grant	**(8,767)**	(9,144)	**(30)**	(30)
Revaluation of investment properties	**(726)**	(318)	**-**	-
Pension adjustments	**260**	5,503	**-**	1,930
Auditor's remuneration (excluding VAT):				
In their capacity as auditor	**110**	108	**4**	4
In respect of other services	**77**	66	**36**	37
Operating lease payments	**477**	937	**-**	-

8. Board members and executive directors

The directors including executive directors are as listed on page 2.	2017 £'000	2016 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors	**85**	112
The aggregate emoluments paid to or receivable by executive directors and former executive directors (including pension contributions and benefits in kind)	**1,215**	819
The aggregate amount of pension contributions in respect of services as directors	**42**	-
The aggregate compensation paid to or receivable by executive directors	**518**	-
The emoluments paid to the highest paid director (excluding pension contributions but including benefits in kind)	**268**	171
Pension contributions for the highest paid director	**3**	-

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

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

	2017 £'000	2016 £'000
A Chan (to January 2017)	**8**	8
W Dignan (from February 2017)	**3**	-
A Dobson	**-**	3
B Dutton	**11**	7
J Goldblatt (to July 2016)	**6**	9
N Goodwin	**26**	12
P High (from March 2017)	**1**	-
G Hood	**-**	3
C Jeffries	**-**	7
B Roebuck	**11**	4
K Ruth	**-**	3
S Taylor (to January 2017)	**7**	7
W Tubey	**-**	4
M Verrier (from February 2017)	**3**	-
H Vaughan (to January 2017)	**7**	4
C Wallace (from February 2017)	**3**	-

9. Employee information

	Group		Association	
	2017 Number	2016 Number	**2017 Number**	2016 Number
Average number of employees (including executive directors) expressed as full time equivalents (based on an average of 35 hours per week)	**978**	1,003	**406**	410

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Staff costs (for the above persons)				
Wages and salaries	**27,907**	28,965	**12,089**	12,476
Social security costs	**2,501**	2,300	**1,165**	1,091
Other pension costs	**2,546**	6,818	**923**	685
Defined benefit scheme pension adjustments	**245**	(1,221)	**21**	20
Severance payments	**1,800**	199	**959**	62
	34,999	37,061	**15,157**	14,334

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

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

Remuneration between	**2017**	2016
£60,000 and £69,999	**10**	10
£70,000 and £79,999	**5**	4
£80,000 and £89,999	**7**	-
£90,000 and £99,999	**-**	1
£100,000 and £109,999	**2**	-
£110,000 and £119,999	**1**	2
£130,000 and £139,999	**-**	3
£170,000 and £179,999	**1**	-
£180,000 and £189,999	**1**	1
£190,000 and £199,999	**2**	-
£200,000 and £209,999	**2**	-
£210,000 and £219,999	**1**	-
£230,000 and £239,999	**2**	-
£250,000 and £259,999	**1**	-
£260,000 and £269,999	**1**	-
£270,000 and £279,999	**1**	-

10. Disposal of other tangible fixed assets

	Group	
	2017 £'000	2016 £'000
Disposal proceeds from other fixed assets	**122**	626
Carrying value of other fixed assets	**(216)**	(80)
(Loss)/gain on disposal of other fixed assets	**(94)**	546

11. Interest receivable and similar income

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Bank and building society interest	**783**	754	**2**	2
Other interest and dividends	**148**	130	**-**	-
	931	884	**2**	2

12. Interest payable and similar charges

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Interest payable on bank and building society loans	**12,597**	13,502	**-**	-
Interest payable on other loans	**3,369**	3,359	**-**	-
Loan administration fees	**48**	67	**-**	-
Loan security costs	**39**	119	**-**	-
Non utilisation fees	**277**	154	**-**	-
Interest expense on net defined benefit liabilities	**137**	246	**2**	3
Unwinding of the discount factor on pension past service deficit	**423**	288	**150**	104
Interest on Recycled Capital Grant Fund and Disposal Proceeds Fund	**5**	2	**-**	-
	16,895	17,737	**152**	107
Capitalised interest	**(151)**	(301)	**-**	-
	16,744	17,436	**152**	107

Interest has been capitalised at 3.3% (2016: 3.6%) per annum, the average cost of borrowing or is based on a specific loan facility used to fund the development.

13. Taxation

	Group 2017 £'000	Group 2016 £'000
UK corporation tax		
Current tax charge for the year	**7**	71
Adjustment in respect of previous years	**(11)**	(2)
	(4)	69
Deferred tax		
Origination and reversal of timing differences	**30**	(45)
Adjustment in respect of previous years	**-**	(2)
Effect of tax change on opening balance	**4**	4
	34	(43)
Total tax charge on surplus on ordinary activities	**30**	26

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 lower than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Surplus on ordinary activities before taxation	**29,649**	28,018
Current tax at standard corporation tax rate	**5,930**	5,525
Effects of tax free income due to charitable activities	**(5,925)**	(5,447)
Expenses not deductible for tax purposes	**7**	7
Group relief surrender / claim for no payment		
Income not taxable for tax purposes	**(6)**	(6)
Adjustments in respect of prior periods	**(11)**	(4)
Loss carry back	**10**	-
Tax rate differences on deferred tax	**6**	9
Deferred tax not recognised	**19**	(58)
Total tax charge on surplus on ordinary activities	**30**	26

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

13. Taxation (cont'd)

Deferred taxation

The movement in the year is as follows:

	2017 £'000	2016 £'000
Net tax (asset)/liability at start of the year	**(76)**	(33)
Difference between accumulated depreciation and capital allowances	**36**	(2)
Unused tax losses	**-**	7
Other short-term timing differences	**-**	(48)
Net tax (asset)/liability at end of the year	**(40)**	(76)

In addition to the deferred tax asset above, the group has additional unrecognised gross tax losses of £55,000 (2016: £102,000) in respect of losses carried forward, short term timing differences and accelerated capital allowances.

14. Intangible assets and goodwill

	Group		
	Goodwill £'000	Software £'000	**Total £'000**
Cost			
At 1 April 2016	2,176	-	**2,176**
Reclassification	-	703	**703**
Additions	-	390	**390**
Disposals	-	-	**-**
At 31 March 2017	**2,176**	**1,093**	**3,269**
Amortisation and impairment			
At 1 April 2016	(1,088)	-	**(1,088)**
Reclassification	-	(410)	**(410)**
Amortisation for the year	(1,088)	(182)	**(1,270)**
Impairment charge	-	-	**-**
At 31 March 2017	**(2,176)**	**(592)**	**(2,768)**
Net book value			
At 1 April 2016	1,088	-	1,088
At 31 March 2017	**-**	**501**	**501**

Goodwill arose on the acquisition of Hyndburn Homes and was being amortised on a straight line basis. At 31 March 2017 the useful economic life of the goodwill was reassessed and as a result the remaining carrying value was amortised in the current year.

15. Housing properties

	Group					
	Social housing properties held for letting	Social housing properties under construction	Completed low-cost home ownership properties	Low-cost home ownership properties under construction	Non-social housing properties held for letting	Total
	£'000	£'000	£'000	£'000	**£'000**	£'000
Cost						
At 1 April 2016	1,411,064	16,686	40,890	1,591	1,968	**1,472,199**
Additions	24,994	10,828	519	1,613	10	**37,964**
Capitalised interest	26	106	-	19	-	**151**
Disposals	(8,367)	-	(1,081)	(455)	(1)	**(9,904)**
Transfer from/(to) stock	-	-	(120)	(326)	-	**(446)**
Transfer to abortive	-	(24)	-	-	-	**(24)**
Transfer on completion	15,340	(15,340)	29	(29)	-	**-**
Reclassifications	4,586	(4,678)	1,534	(1,442)	-	**-**
At 31 March 2017	1,447,643	7,578	41,771	971	1,977	**1,499,940**
Depreciation						
At 1 April 2016	(253,058)	-	(5,418)	-	(214)	**(258,690)**
Charge for the year	(33,271)	-	(512)	-	(15)	**(33,798)**
Disposals	4,745	-	123	-	-	**4,868**
Transfers from/(to) stock	162	-	-	-	-	**162**
Reclassifications	4	-	(4)	-	-	**-**
At 31 March 2017	(281,418)	-	(5,811)	-	(229)	**(287,458)**
Impairment						
At 1 April 2016	(1,592)	(538)	-	-	-	**(2,130)**
Transfer on completion	(538)	538	-	-	-	**-**
Charge for the year	(143)	-	-	-	-	**(143)**
At 31 March 2017	(2,273)	-	-	-	-	**(2,273)**
Net Book Value						
At 1 April 2016	1,156,414	16,148	35,472	1,591	1,754	1,211,379
At 31 March 2017	**1,163,952**	**7,578**	**35,960**	**971**	**1,748**	**1,210,209**

	2017	2016
	£'000	£'000
Freehold	**1,128,140**	1,131,215
Long-leasehold	**82,609**	79,724
At 31 March 2017	**1,210,209**	1,210,939

Additions to housing properties in the year included improvement works to existing properties of £22,071,000 (2016: £27,796,000) and capitalised interest of £151,000 (2016: £300,000) at an average rate of 3.3% (2016: 3.1%). Expenditure on works to existing properties charged to the statement of comprehensive income totalled £35,599,000 (2016: £35,664,000).

The net book value of housing properties includes £Nil (2016: £Nil) in respect of assets held under finance leases.

16. Investments including properties

	Group				Association	
	Joint Venture Investment	Investment properties	Shared equity investments	Total	Shares in subsidiary undertaking	Total
	£'000	£'000	£'000	£'000	**£'000**	£'000
At 1 April 2016	15	13,822	462	**14,299**	50	**50**
Additions	-	380	-	**380**	-	**-**
Revaluation	-	726	-	**726**	-	**-**
At 31 March 2017	**15**	**14,928**	**462**	**15,405**	**50**	**50**

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

Full valuations of existing properties were carried out in March 2017 by external valuers, Sutton Kersh and Thomson Associates, Chartered Surveyors in accordance with the RICS Appraisal and Valuation Manual. Their reports indicated that the market value of investment property was £14.564million. New properties completed in March 2017 totalling £364,000 were not valued at the end of the year.

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

	2017 £'000	2016 £'000
Historic costs	**11,729**	11,349
Accumulated depreciation	**(639)**	(513)
	11,090	10,836

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

Organisation	Status	Registration number	Principal activity	Share capital held £
Atrium City Living Limited	Private Limited Company	4710066	Commercial Property Services	50,000
Cobalt Housing Trust Limited	Registered Society	29516R	HARP*	1
Contour Homes Limited	Registered Society	23607R	HARP*	1
Contour Property Services Limited	Registered Society	23975R	Management Services	1
Hyndburn Homes Limited	Registered Society	30031R	HARP*	1
Hyndburn Homes Repairs Limited	Private Company Limited by Guarantee	3538264	Direct Labour Organisation	1
Liverpool Housing Trust	Registered Society	17186R	HARP*	1
Peak Valley Housing Association Limited	Registered Society	29311R	HARP*	1
Ribble Valley Homes Limited	Registered Society	30415R	HARP*	1

* HARP – Housing Association Registered Provider

17. Other tangible fixed assets

	Group			
	Freehold land and buildings £'000	Scheme equipment £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2016	19,027	11,220	14,238	**44,485**
Reclassification [1]	-	-	(703)	**(703)**
Additions	56	1,147	442	**1,645**
Disposals	-	-	(273)	**(273)**
At 31 March 2017	19,083	12,367	13,704	**45,154**
Depreciation				
At 1 April 2016	(4,609)	(4,314)	(10,717)	**(19,640)**
Reclassification	-	-	410	**410**
Charge for the year	(361)	(651)	(1,148)	**(2,160)**
Disposals	-	-	68	**68**
At 31 March 2017	(4,970)	(4,965)	(11,387)	**(21,322)**
Net book value				
At 1 April 2016	14,418	6,906	3,521	**24,845**
At 31 March 2017	**14,113**	**7,402**	**2,317**	**23,832**

[1] The reclassification in the year was to show computer software as intangible assets.

	Association			
	Freehold land and buildings £'000	Scheme equipment £'000	Vehicles, fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2016	1,519	-	29	**1.548**
At 31 March 2017	**1519**	**-**	**29**	**1,548**
Depreciation				
At 1 April 2016	(576)	-	(7)	**(583)**
Charge for the year	(30)	-	(5)	**(35)**
At 31 March 2017	**(606)**	**-**	**(12)**	**(618)**
Net book value				
At 1 April 2016	943	-	22	**965**
At 31 March 2017	**913**	**-**	**17**	**930**

18. Debtors: amounts falling due after one year

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Improvement programmes (VAT Shelter)	**1,965**	3,478	**-**	-
Amounts owed by related parties – pension past service	**-**	-	**6,356**	6,959
	1,965	3,478	**6,356**	6,959

19. Properties for sale and work in progress

	Group	
	2017 £'000	2016 £'000
Properties under construction – low-cost home ownership	**565**	70
Completed properties – outright sales	**1,483**	2,413
Completed properties – low-cost home ownership	**395**	171
Stock and components	**199**	401
	2,642	3,055

20. Debtors: amounts falling due within one year

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Rent and service charge arrears	**12,339**	13,163	**-**	-
Bad debt provision	**(5,084)**	(5,423)	**-**	-
	7,255	7,740	**-**	-
Trade debtors	**1,833**	2,023	**1,492**	1,363
Social Housing Grant and other grant receivable	**19**	81	**-**	-
Amounts owed by related parties	**-**	-	**2,913**	3,686
Amounts owed by related parties – pension past service	**-**	-	**883**	817
Amounts owed by leaseholders	**1,047**	707	**554**	155
Prepayments and sundry debtors	**3,588**	4,696	**441**	1,236
Other taxation and social security	**494**	528	**168**	191
Improvement programmes (VAT Shelter)	**2,797**	1,337	**-**	-
Corporation tax	**10**	3	**-**	2
Deferred tax	**40**	76	**-**	-
	17,083	17,191	**6,451**	7,450

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

21. Investments

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Bank and building society deposits	**95,903**	82,631	**-**	-
Investments in Credit Unions	**50**	50	**-**	-
	95,953	82,681	**-**	-

As at 31 March 2017 the following bank deposits were held in third to third parties:

Deposits under charge	Amount charged £'000
Pension fund	128
Loan security	29
Leaseholder sinking funds	1,124
	1,281

22. Creditors: amounts falling due within one year

	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Bank and building society loans (note 24)	**11,710**	9,414	**-**	-
Other loans (note 24)	**7,516**	1,283	**-**	-
Issue costs (note 24)	**(100)**	11	**-**	-
	19,126	10,708	**-**	-
Trade creditors	**3,884**	5,512	**2,901**	4,182
Capital creditors and retentions	**1,825**	3,568	**-**	-
Rent and service charges received in advance	**3,667**	3,447	**-**	-
Other taxation and social security	**782**	807	**393**	370
Recycled Capital Grant Fund	**584**	4	**-**	-
Disposal Proceeds Fund	**284**	13	**-**	-
Deferred Government Grant	**9,387**	9,384	**30**	30
Social housing grant received in advance	**594**	543	**-**	-
Pension past service deficit	**2,495**	2,309	**883**	817
Accruals and deferred income	**15,388**	12,708	**2,008**	1,102
Other creditors	**849**	1,086	**27**	86
Amounts owed to related parties	**-**	-	**327**	3,940
Amounts owed to related parties – pension past service	**-**	-	**-**	-
Amounts owed to leaseholders	**380**	172	**3**	18
Improvement programmes (VAT Shelter)	**2,797**	1,337	**-**	-
Corporation tax	**7**	72	**-**	-
	62,049	51,670	**6,572**	10,545

23. Creditors: amounts falling due after one year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Bank and building society loans (note 24)	**401,197**	415,371	**-**	-
Other loans (note 24)	**34,129**	41,777	**-**	-
Issue costs (note 24)	**(2,561)**	(2,764)	**-**	-
	432,765	454,384	**-**	-
Capital creditors and retentions	**924**	1,066	**-**	-
Amounts owed to leaseholders	**6,297**	5,146	**-**	-
Accruals and deferred income	**48**	51	**-**	-
Other creditors	**177**	98	**-**	-
Deferred Government Grant	**445,652**	452,664	**883**	913
Pension past service deficit	**17,875**	19,574	**6,357**	6,959
Recycled Capital Grant Fund	**1,129**	1,461	**-**	-
Disposal Proceeds Fund	**1,469**	1,074	**-**	-
Improvement programmes (VAT Shelter)	**1,965**	3,478	**-**	-
	908,301	938,996	**7,240**	7,872

24. Debt analysis

	Group 2017 £'000	Group 2016 £'000
Bank and Building Society loans	**412,907**	424,785
Other loans	**41,645**	43,060
Issue costs	**(2,661)**	(2,753)
	451,891	465,092

All bank, building society and other loans are secured by charges either on the group's housing properties or on the rental streams arising from properties. Loans are repayable in instalments with final dates up to 2048. As at 31 March 2017 interest rates chargeable varied from 0.5% to 11.7%.

Gross debt is repayable in instalments as follows:	Group 2017 £'000	Group 2016 £'000
Between one and two years	**19,161**	17,384
Between two and five years	**54,462**	58,191
After five years	**361,703**	381,573
	435,326	457,148

	Properties under charge	Amount drawn £'000	Valuation of units £'000
Cobalt	5,465	**42,670**	148,200
Contour Homes	7,500	**200,695**	287,856
Hyndburn Homes	3,109	**27,500**	61,400
Liverpool Housing Trust	6,752	**148,636**	195,594
Peak Valley	1,464	**20,285**	42,500
Ribble Valley	1,162	**14,766**	37,000
	25,452	**454,552**	772,550

25. Deferred Capital Grant

The total accumulated government grant and financial assistance received or receivable at 31 March:	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Held as deferred capital grant at start of the year	**462,048**	470,860	**943**	973
Grant received in the year	**1,758**	332	**-**	-
Recognised in the Statement of Comprehensive Income	**(8,767)**	(9,144)	**(30)**	(30)
At end of the year	**455,039**	462,048	**913**	943
Due within one year	**9,387**	9,384	**30**	30
Due after one year	**445,652**	452,664	**883**	913
	455,039	462,048	**913**	943

26. Recycled Capital Grant Fund

	Group 2017 £'000	Group 2016 £'000
At start of the year	**1,465**	992
Grants recycled	**467**	624
Interest accrued	**5**	2
Recycling to new build development	**(224)**	(153)
At end of the year	**1,713**	1,465
Amount three years or older where repayment may be required	**-**	-

27. Disposal Proceeds Fund

	Group 2017 £'000	Group 2016 £'000
At start of the year	**1,087**	180
Grants recycled	**678**	907
Interest accrued	**1**	-
Recycling to new build development	**(13)**	-
At end of the year	**1,753**	1,087
Amount three years or older where repayment may be required	**-**	-

28. Financial instruments

The carrying amounts of the financial assets and liabilities include:	Group 2017 £'000	Group 2016 £'000
Trade and other debtors measured at amortised cost	**19,048**	15,854
Trade and other creditors measured at amortised cost	**(63,420)**	(45,778)
Loan commitments measured at cost	**(451,891)**	(467,845)
	(496,263)	(497,769)

29. Obligations under operating leases

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

	Group			
	Land and buildings		Vehicles and equipment	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Due:				
within one year	**117**	122	**198**	327
in the second to fifth years	**58**	110	**90**	266
in more than five years	**-**	-	**-**	3
At end of the year	**175**	232	**288**	596

During the year £477,000 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2016: £937,000).

30. Provisions for liabilities

	Group 2017 £'000	Group 2016 £'000
Public liability insurance claims:		
At start of the year	**556**	596
Transfer into / (out of) provisions	**191**	(40)
At end of the year	**747**	556

31. Pension liabilities

	Group		Association	
	2017 **£'000**	2016 £'000	**2017** **£'000**	2016 £'000
At start of the year	**4,052**	7,658	**26**	122
Net interest on pension liabilities	**137**	246	**2**	3
Transfers to reserves (actuarial gain in period)	**2,745**	(2,631)	**88**	(119)
Contributions in period	**(562)**	(2,166)	**(7)**	(6)
Administration expenses	**17**	23	**1**	-
Current service costs in the period	**805**	922	**28**	26
At end of the year	**7,194**	4,052	**138**	26

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

32. Non-equity share capital

	Association	
	2017 **£**	2016 £
Shares of £1 each fully paid and issued:		
At start of the year	**7**	8
Shares issued in the year	**4**	4
Cancelled during the year	**(4)**	(5)
At end of the year	**7**	7

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

33. Revenue reserves

	Group		Association	
	2017 **£'000**	2016 £'000	**2017** **£'000**	2016 £'000
At start of year	**415,564**	384,941	**759**	711
Surplus for the year	**26,874**	30,623	**(100)**	48
At end of the year	**442,438**	415,564	**659**	759

34. Transactions with related parties

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

	Association	
	2017 £'000	2016 £'000
Recharge by subsidiary		
Atrium (non- regulated)	**109**	76
BBCHA	**-**	138
Cobalt	**1,675**	1,560
Contour Homes	**11,987**	12,420
Contour Property Services (non- regulated)	**752**	792
Hyndburn Homes	**963**	989
Liverpool Housing Trust	**4,821**	4,224
Peak Valley	**1,056**	1,185
Ribble Valley	**283**	326
	21,646	21,710

	Association	
	2017 £'000	2016 £'000
Recharge by service		
Group executive services	**263**	337
Corporate services	**6,333**	6,713
Commercial activity, procurement and communications	**988**	1,296
Financial services	**2,194**	2,321
Investment and initiatives	**1,053**	1,228
Intergroup staff recharges	**7,766**	7,672
Pension past service deficit recharges	**362**	2,034
Transitional, assurance and project	**2,653**	18
Staff secondments	**7**	2
Depreciation recharges	**27**	89
	21,646	21,710

	Association	
The association received charges from:	**2017 £'000**	2016 £'000
Recharge from subsidiary		
Cobalt	**55**	113
Contour Homes	**248**	545
Hyndburn Homes	**92**	100
Liverpool Housing Trust	**1,620**	1,493
	2,015	2,251

34. Transactions with related parties (cont'd)

Debtors falling due within one year		Association 2017 £'000	Association 2016 £'000
Atrium (non- regulated)	general balance	**21**	187
	pension deficit	**1**	1
Cobalt	general balance	**242**	208
	pension deficit	**44**	41
Contour Homes	general balance	**136**	-
	pension deficit	**614**	568
Contour Property Services (non- regulated)	general balance	**564**	481
	pension deficit	**28**	26
Hyndburn Homes	pension deficit	**31**	29
Hyndburn Home Repairs	general balance	**417**	129
Liverpool Housing Trust	general balance	**781**	1,619
	pension deficit	**96**	88
Peak Valley	general balance	**752**	929
	pension deficit	**59**	55
Ribble Valley	general balance	**-**	133
	pension deficit	**10**	9
		3,796	4,503

Debtors falling due after more than one year		Association 2017 £'000	Association 2016 £'000
Atrium (non- regulated)	pension deficit	**10**	11
Cobalt	pension deficit	**329**	359
Contour Homes	pension deficit	**4,333**	4,756
Contour Property Services (non- regulated)	pension deficit	**206**	225
Hyndburn Homes	pension deficit	**240**	260
Liverpool Housing Trust	pension deficit	**714**	778
Peak Valley	pension deficit	**452**	491
Ribble Valley	pension deficit	**72**	79
		6,356	6,959

Creditors: amounts falling due within one year		Association 2017 £'000	Association 2016 £'000
Contour Homes	general balance	**-**	1,742
Hyndburn Homes	general balance	**308**	2,198
Ribble Valley	general balance	**19**	
		327	3,940

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.

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

35. Capital commitments

	Group 2017 £'000	Group 2016 £'000
Capital expenditure contracted for but not provided for in the financial statements	**12,866**	16,383
Capital expenditure authorised by the Board of Management but not yet contracted for	**26,895**	21,952

Capital expenditure commitments are funded through grant funding (HCA Affordable Homes Programme) and recycled grant, £8,664,000, and cash from approved loan agreements and retained surpluses, £31,097,000.

36. Impairment

Under FRS102 the group is required to perform impairment tests on its housing stock so that properties are not shown at an amount exceeding their recoverable amount. At the year-end the impairment review was carried out and the Board has reviewed the results and where appropriate made adjustments. In total the group approved impairment provisions of £143,000 (2015: £905,000).

37. Cash flows generated from operating activities

	Group 2017 £'000	Group 2016 £'000
Surplus for the year	**29,619**	27,992
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	**35,958**	38,063
Impairment of tangible fixed assets	**143**	905
Change in value of investment property	**(726)**	(318)
Amortisation of goodwill	**1,270**	108
Decrease / (increase) in properties for sale and work in progress	**697**	284
(Increase) / decrease in trade and other debtors	**1,622**	(9,573)
Increase / (decrease) in trade and other creditors	**2,264**	4,917
(Decrease) / increase in provisions	**191**	1,670
Pension costs less contributions payable	**260**	-
Pension past service deficit movement	**(1,936)**	4,365
Carrying amount of tangible fixed asset disposals	**5,264**	3,464
Amortisation of deferred Government Grant	**(8,767)**	(9,230)
Adjustments for investing or financing activities		
Proceeds from disposal of tangible fixed assets	**(4,103)**	(3,380)
Interest receivable	**(950)**	(1,048)
Interest payable	**16,763**	17,542
Net cash generated from operating activities	**77,569**	75,761

38. Contingent liabilities

At 31 March 2017, Liverpool Housing Trust had a contingent liability of £325,000 (2016: £325,000) in respect of a Funding for Homes debenture. This amount may be payable in the event of a fellow borrower failing to meet its liability for interest or repayment of debt. With the repayment of the loan in March 2018 the contingent liability will come to an end.

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

An amount of £33.2m social housing grant relating to Rodney Housing Association properties acquired in April 2007 by Liverpool Housing Trust is not shown in the notes to the accounts but is disclosed for information.

39. Pension costs

(a) The Social Housing Pension Scheme – Overview

Both Onward Homes and Liverpool Housing Trust participates in the Social Housing Pension Scheme (SHPS), a multi-employer scheme which provides benefits to some 500 non-associated 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 30th December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the group 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 with an effective date of 30th September 2014. This actuarial valuation was certified on 23rd November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions	
Tier 1	£40.6m per annum
from 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 2	£28.6m per annum
from 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 3	£32.7m per annum
from 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)
Tier 4	£31.7m per annum
from 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)

39. Pension costs

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

Both Onward Homes and Liverpool Housing Trust closed their Defined Benefit schemes (Final salary 1/60th, Final Salary 1/70th and CARE 1/60th) to future accrual from April 2016. All members of these schemes were transferred into the SHPS Defined Contribution Scheme which has been open since 1st October 2011. From April 2016 there is one benefit structure available to Onward Homes which is the SHPS Defined Contribution Scheme.

(b) The Social Housing Pension Scheme – Onward Homes

Where the scheme is in deficit and where the group has agreed to a deficit funding arrangement, a liability for this obligation is recognised. 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.

	2016 £'000	**2017 £'000**	2016 £'000
Present value of provision	7,239	7,776	5,742

	2017 £'000	2016 £'000
Reconciliation of opening and closing provisions		
Provision at start of the year	**7,776**	5,742
Unwinding of the discount factor	**150**	104
Deficit contribution paid	**(899)**	(635)
Remeasurement impact of any change in assumptions	**212**	(49)
Remeasurement amendments to the contribution	**-**	2,614
Provision at the end of the year	**7,239**	7,776

	2017 % per annum	2016 % per annum	2015 % per annum
Assumptions			
Rate of discount	1.33	2.06	1.92

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) The Social Housing Pension Scheme – Liverpool Housing Trust

Where the scheme is in deficit and where the association has agreed to a deficit funding arrangement, a liability for this obligation is recognised. 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.

39. Pension costs (cont'd)

(c) The Social Housing Pension Scheme – Liverpool Housing Trust (cont'd)

	2016 £'000	**2017 £'000**	2016 £'000
Present value of provision	13,130	14,107	10,433

	2017 £'000	2016 £'000
Reconciliation of opening and closing provisions		
Provision at start of the year	**14,107**	10,433
Unwinding of the discount factor	**273**	189
Deficit contribution paid	**(1,634)**	(1,155)
Remeasurement impact of any change in assumptions	**384**	(89)
Remeasurement amendments to the contribution	**-**	4,729
Provision at the end of the year	**13,130**	14,107

	2017 % per annum	2016 % per annum	2015 % per annum
Assumptions			
Rate of discount	1.33	2.06	1.92

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.

(d) Local Government Pension Schemes

Onward Homes also makes contributions to other defined benefit schemes, Lancashire County Pension Fund, Greater Manchester Pension Fund and Merseyside Pension Fund. Each entity is a participating employer in its respective 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 are:

Assumptions	**2017**	2016
Inflation	**2.2%**	2.0%
Rate of discount on scheme	**2.6%**	3.6%
Rate of salary increase	**3.8%**	3.5%
Rate of increase of pensions	**2.3%**	2.0%

39. Pension costs (cont'd)

(d) Local Government Pension Schemes (cont'd)

Assumptions	**2017**	2016
Life expectancy male non-pensioner	**24.8**	25.0
Life expectancy female non-pensioner	**27.7**	27.9
Life expectancy male pensioner	**22.3**	22.7
Life expectancy female pensioner	**25.0**	25.4
Mortality assumptions (normal health)		
Basis	S2PA CMI_2015	S1PA CMI_2012
Non-retired members	1.5% (98% male, 89% female)	1.5% (104% multiplier)
Retired members	1.5% (99% male, 93% female)	1.5% (100% multiplier)

The fair value of the schemes' assets at 31 March 2017, 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:

	2017 £'000	2016 £'000
Fair value of assets	**41,763**	34,318
Present value of liabilities	**(48,957)**	(38,370)
Deficit in the scheme	**(7,194)**	(4,052)

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

	2017 £'000	2016 £'000
Market value		
Equities	8,583	14,446
Government Bonds	1,459	1,295
Other Bonds	1,822	1,572
Property	1,839	3,140
Cash/liquidity	2,429	12,684
Other	25,631	1,181
Total	**41,763**	34,318

39. Pension costs (cont'd)

(d) Local Government Pension Schemes (cont'd)

	2017 £'000	2016 £'000
Analysis of the amount charged to operating surplus		
Current service cost	**805**	922
Past service cost / (gain)	**-**	-
Total operating charge	**805**	922

	2017 £'000	2016 £'000
Analysis of the amount credited to other finance income		
Expected return on pension assets	**(1,231)**	(1,059)
Interest on pension liabilities	**1,368**	1,305
Net return	**137**	246

	2017 £'000	2016 £'000
Movement in (deficit) during the year		
Deficit in schemes at start of the year	**(4,052)**	(7,658)
Movement in year:		
Current service cost	**(805)**	(922)
Past service cost	**-**	-
Contributions	**562**	2,166
Expected return on plan assets	**1,231**	1,059
Interest on pension liabilities	**(1,368)**	(1,305)
Administration expenses	**(17)**	(23)
Actuarial (loss)/gain in SCI	**(2,745)**	2,631
Deficit in schemes at end of the year	**(7,194)**	(4,052)

	2017 £'000	2016 £'000
Amount recognised in the Statement of Comprehensive Income		
Actual return less expected return on pension scheme assets	**6,188**	(12)
Experienced gains (losses) arising on the scheme liabilities.	**(8,117)**	2,643
Change in assumptions underlying the present value of scheme	**(816)**	-
Actuarial (loss)/gain recognised in SCI	**(2,745)**	2,631

39. Pension costs (cont'd)

(d) Local Government Pension Schemes (cont'd)

	2017	2016
History of experienced surpluses and deficits		
Difference between actual and expected returns on assets (£'000)	**6,188**	(12)
% of scheme assets	**14.8%**	(0.03%)
Experienced (losses)/gains on liabilities (£'000)	**(8,117)**	2,643
% of scheme liabilities	**(16.6%)**	6.89%
Total amount recognised in SCI (£'000)	**(2,745)**	2,631
% of scheme liabilities	**(5.6%)**	6.86%

	2017 £'000	2016 £'000
Reconciliation of assets		
Assets at start of year	**34,318**	31,698
Employer contributions	**562**	2,166
Employee contributions	**231**	229
Benefits paid	**(750)**	(808)
Expected return on plan assets	**1,231**	1,059
Remeasurement of assets	**6,188**	(12)
Administration expenses	**(17)**	(14)
Assets at end of year	**41,763**	34,318

	2017 £'000	2016 £'000
Reconciliation of liabilities		
Benefit obligation start of year	**38,370**	39,356
Operating charge	**805**	922
Interest cost	**1,368**	1,305
Employee contributions	**231**	229
Benefits paid	**(750)**	(808)
Actuarial gain(loss)	**8,933**	(2,634)
Benefit obligation at end of year	**48,957**	38,370

40. Improvement Programme / VAT Shelter

(a) Cobalt Housing Limited

At the time of the transfer of the housing stock in March 2003, Cobalt entered into a HM Revenue & Customs (HMRC) approved arrangement with Liverpool City Council (LCC) to carry out a housing stock improvement program totalling £104m. There is no VAT sharing agreement with the Council in respect of the improvement programme. An estimated amount of £18.1m of VAT savings was approved under the arrangement with LCC reflecting the 15 year VAT shelter agreed with HMRC.

Expenditure of £1,284,000 is still planned which represents first cycle works and is deemed to be of a capital nature charged within the statement of financial position as it is incurred. The capital cost charged to the statement of financial position is depreciated in line with the group's depreciation policy.

40. Improvement Programme / VAT Shelter (cont'd)

(b) Hyndburn Homes Limited

At the time of the transfer of the housing stock in March 2006, Hyndburn Homes entered into a HM Revenue & Customs (HMRC) approved arrangement with Hyndburn Borough Council to carry out a housing stock improvement programme totalling £52.3m. There is no VAT sharing agreement with the Council in respect of the improvement programme. An estimated amount of £9.1million of VAT savings was approved under the approved arrangement with Hyndburn reflecting the 10 year VAT shelter agreed with HMRC.

(c) Peak Valley Housing Association

At the time of the transfer of the housing stock in September 2006, Peak Valley entered into a HM Revenue & Customs (HMRC) approved arrangement with Manchester City Council (MCC) to carry out a housing stock improvement programme totalling £49m. There is no VAT sharing agreement with the Council in respect of the improvement programme. An estimated amount of £8.2m of VAT savings was approved under the approved arrangement with MCC reflecting the 10 year VAT shelter agreed with HMRC.

(d) Ribble Valley Homes Limited

At the time of the transfer of the Housing stock in April 2008, Ribble Valley 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 £3,478,000 is still planned which represents first cycle works and is deemed to be of a capital nature charged within the statement of financial position as it is incurred. The capital cost charged to the statement of financial position is depreciated in line with the group's depreciation policy.

41. Post Balance Sheet Events

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