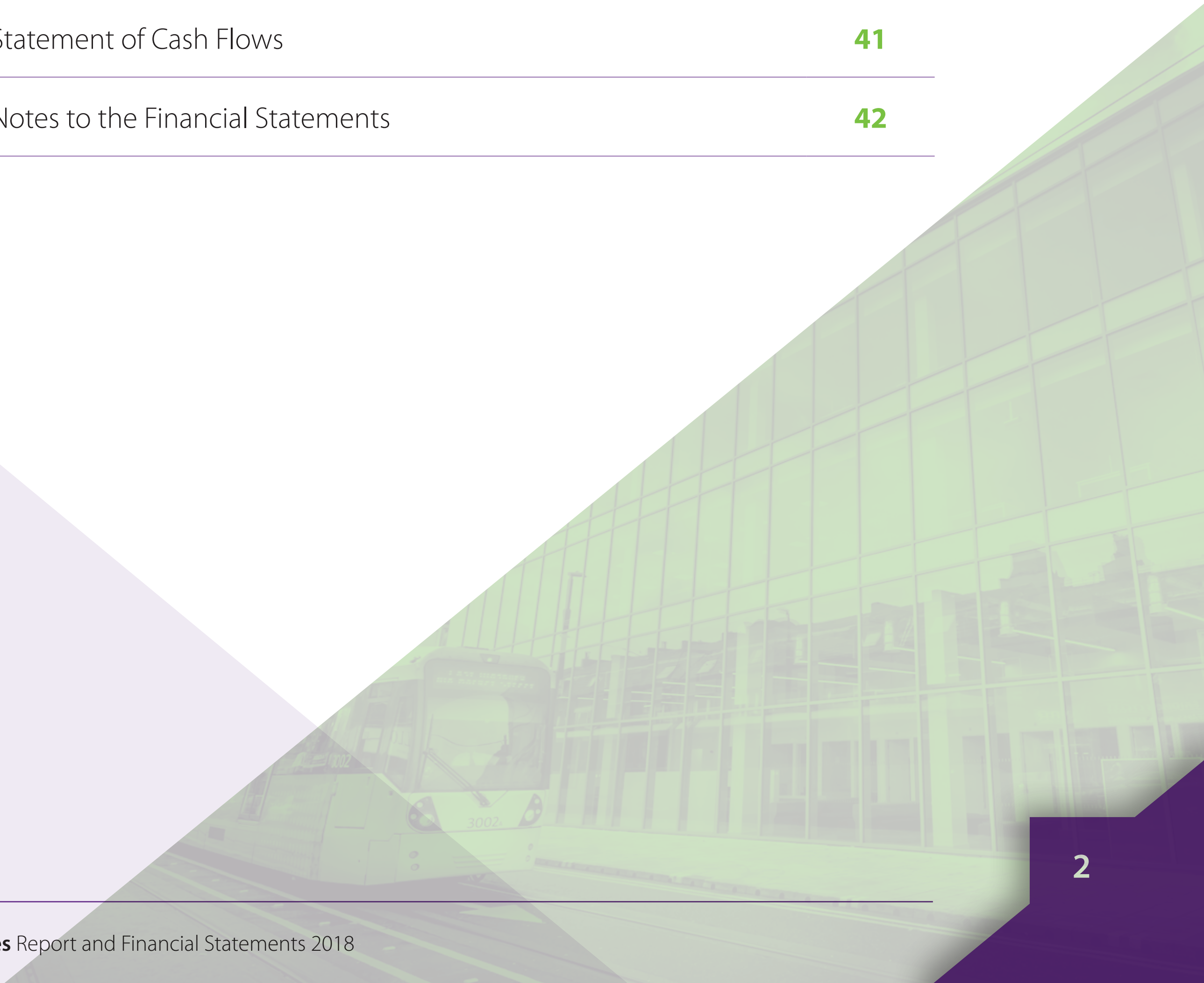
Report and Financial Statements

for the Year ended 31 March 2018

Improving lives in Oldham

firstchoice
HOMES OLDHAM

Contents



Non-Executive Directors, Executives and Advisors

Board of Directors

- Ged Lucas (Board Chair) – appointed August 2016
- Matthew Jones (Board Vice Chair) – appointed October 2016
- Pauline Richardson (Chair Audit and Risk Committee)
- Barbara Brownridge (Chair Governance and Remuneration Committee) resigned 30th May 2018
- Bernadette Callaghan (Board Co-optee 1 October 2017)
- Philip Pearson
- Mumtaz Ali
- Hilda Kaponda
- Carl Brazier
- Clare Doyle (Co-optee to Development Committee)

Newly Appointed

- John Carleton – appointed 1 October 2017
- Hannah Roberts – appointed 1 June 2018

Resigned

Matthew Jones submitted his resignation to the Board at its meeting held on 7 March 2018 with effect from 1 June 2018.

Executive Officers

Chief Executive
Vinny Roche - appointed 3 January 2018

Executive Director, Customer First and Deputy Company Secretary
David Smith

Executive Director, Homes and Investment
Dave Woods

Interim Executive Director, Corporate Services
Kieran Timmins – appointed 22 January 2018 – resigned 27 April 2018

Executive Director, Corporate Services
Chloe Christian – appointed 30 April 2018

Company Secretary
Warren Bradley, Interim Assistant Director of Governance and Legal Services – appointed 31 August 2017

Registered Office

First Place
22 Union Street
Oldham
OL1 1BE

Registered Number

Registered Co-operative and Community Benefit Society number 31138R
Registered by the Homes and Communities Agency number 4582

Bankers

Barclays Bank Limited
Merseyside and North Cheshire Team
11th Floor
20 Chapel Street
Liverpool
L3 9AG

Funders

Santander Corporate Banking
2 Triton Square
Regents Place
London
NW1 3AN

Solicitors

Towers and Hamlin
Heron House
Albert Square
Manchester
M2 5HD

Internal Auditors

Mazars LLP
The Lexicon
Mount Street
Manchester
M2 5NT

Auditor

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

FCHO Executive Team

Vinny Roche
Chief Executive

Chloe Christian
Executive Director,
Corporate Services

Dave Woods
Executive Director,
Homes and investments

David Smith
Deputy Company Secretary
and Executive Director,
Customer First

Warren Bradley
Group Company Secretary
and Assistant Director of
Governance and Legal
Services

FCHO Advisors

Bankers
Barclays Bank Limited
Merseyside & North
Cheshire Team
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Manchester
M3 3AT

The Report of the Board of Directors

The Board of Directors present their report and audited financial statements for the year ended 31 March 2018.

FCHO Oldham Limited
FCHO Oldham (FCHO or 'the Organisation') is a not-for-profit Registered Provider (RP) administered by a Board of Non-Executive Directors - FCHO is a public benefit entity (PBE).

FCHO began trading as a Registered Provider on 7 February 2011 with 11,867 properties transferring from Oldham Metropolitan Borough Council (OMBC) on that date.

On 20 October 2016, FCHO established a subsidiary organisation, New Living Homes Limited (NLH) and NLH is a Limited Company by guarantee, registered with Companies House.

NLH is responsible for the future development and build of FCHO's new home development programme. NLH is a subsidiary of FCHO and is Limited by virtue of the control of the appointment of the majority of the Board Members. However, for VAT purposes the company stands outside of the VAT Group. NLH does not have any staff or any housing properties.

Charitable Status
FCHO is a Community Benefit Society which has been assigned charitable status for tax purposes.

Review of the Year
The details of FCHO's annual performance and future plans are set out within the Strategic Report financial review that follows the Report of the Board of Directors.

The Board and Executive Officers
The Board and Executive Officers are listed on page 3 of this report. The Executive Officers are responsible for the day-to-day management of FCHO. The Executive Officers are employed on the same terms and conditions as staff members within FCHO.

The Board is made up of between eight and twelve Non-Executive Directors (including co-optees) as determined by the Board and may include one Local Authority Non-Executive Director. Non-Executive Directors are recruited on a skills-based approach and they have the appropriate range of skills, experience and qualities required to make decisions and monitor FCHO's performance.

FCHO is fully compliant with the NHF Code of Governance 2015.

The Board met on nine scheduled occasions during 2017/18. There were two special meetings convened during 2017/18. In addition there were two Board Away days and a further two strategic briefing sessions.

In 2017/18 there have been the following changes to the Leadership Team:

Chief Executive Cath Green resigned with effect from 3 January 2018. Vinny Roche was appointed Chief Executive with effect from 3 January 2018.

Sheena McDonnell, Business Transformation Director and Company Secretary, resigned with effect from 31 August 2017.

Kieran Timmins was appointed Interim Executive Director Corporate Services with effect from 22 January 2018 and resigned on 27 April 2018.

Chloe Christian was appointed Executive Director Corporate Services with effect from 30 April 2018.

Corporate Governance
The Board is responsible for providing leadership, support and guidance to FCHO and setting the policy framework. The Board is responsible for monitoring the performance of the business against its Strategic Objectives and key performance targets, challenging and scrutinising that performance. The Board's central role is to direct the organisation's work to determine strategic direction, monitor performance and drive continuous improvement. The Board also defines the Values, sets the Mission Statement and Strategic Objectives, inclusive of the financial objectives, approves short and medium-term plans and priorities and monitors the results from these plans.

FCHO has a Customer Congress whose role is to scrutinise FCHO delivery and performance against agreed goals and objectives and focus on delivery of operational targets. The Customer Congress provides a 'critical friend' challenge from residents to FCHO's Board and executive policy-makers and decision-makers. The Customer Congress membership is limited to customers of FCHO and is led by a Customer Chair.

The Governance structure ensures that customers measure, test and monitor the services they receive and demonstrates that customers influence the on-going development of the business.

FCHO is fully compliant with the NHF Code of Governance 2015.

In January 2018 the Regulator of Social Housing (RSH) Governance rating was re-affirmed at 'G1' status and the Financial Viability rating was regraded to 'V2'. The RSH noted that the Financial Viability regrade to V2 is as a result of a short-term low level of interest cover and the increase in scale of the development programme. FCHO has therefore achieved full compliance with our regulator's requirements of the Governance and Financial Viability Standard.

Board Delegation

In order to operate effectively and ensure appropriate governance in business critical areas the Board has delegated authority to four committees.

- The Audit and Risk Committee – the Committee met to consider official duties on four occasions during 2017/18
- The Governance and Remuneration Committee – the Committee met to consider its official duties on four occasions during 2017/18
- The Development Committee – the Committee met to consider its official duties on six occasions during 2017/2018
- The Health and Safety Committee – the Committee met to consider its official duties on four occasions during 2017/18

Audit and Risk Committee

The Audit and Risk Committee contributes to the Board's process for ensuring effective internal controls and risk management. This includes both internal and external audit activities of FCHO and in particular the duties, requirements and guidance set by the applicable regulator. FCHO also follows the Charity Commission's 'Hallmarks of an Effective Charity' guidance.

Governance and Remuneration Committee

The purpose of the Governance and Remuneration Committee is to:

- Ensure that the Board fulfils its legal, ethical, and functional responsibilities through adequate governance arrangements, recruitment strategies, training programmes, monitoring of Board activities and the evaluation of Non-Executive Directors' performance
- Ensure that remuneration arrangements support the strategic aims of the business
- Ensure that the Chief Executive has the skills, competence and capacity to deliver the overall strategy of FCHO, its plans and proposals

Development Committee

The role of the Development Committee is to provide strategic direction and leadership to ensure that FCHO's development programme delivers the outcomes and strategic objectives set by the FCHO Board. The committee will take an overview of the organisation's development activity, monitor progress against programme, reviewing and commenting upon individual schemes as necessary.

New Living Homes Limited (NLH)

The Board of NLH Ltd. is appointed by the FCHO Board. The NLH Board of Directors is made up of between three and five Members excluding Co-optees. This is made up of one Chairperson, two FCHO Non-Executive Directors and two FCHO Officers and may include co-optee membership as outlined in the NLH Articles. NLH's Non-Executive Directors are registered as Company Directors with Companies House. The NLH Board met to consider official duties on two occasions during 2017/18.

Employment and Policy

The Board recognises the importance of employee involvement for FCHO success. FCHO had an average of 401 colleagues throughout 2017/18 and as at 31 March 2018 there were 397 staff in post, of which 16 declared a disability. The company has a comprehensive range of employment policies supporting FCHO's commitment to its colleagues.

Equality and Diversity Policy

The FCHO Board is committed to embedding equality across the organisation. It ensures FCHO has appropriate accessibility policies, services and employment practice which reflect the diverse community FCHO serves and recruits from.

The Equality and Diversity Policy is the Single Equality Scheme (SES), which outlines the commitments FCHO has made and the actions taken to ensure equality of opportunity for all. The Board is the driver for embedding the SES and championing our Equality and Diversity commitments.

The SES was reviewed this year and the revised version disseminated through the organisation. The focus of the review was on making the process of equality impact assessment more streamlined and simplifying the monitoring of these through existing organisational structures.

Health and Safety

Health and Safety Committee Meetings are held for the purpose of ensuring effective communication, monitoring performance and consultation in matters affecting the health, safety and welfare of all those affected by the work of FCHO.

The aim of the meetings is to ensure that the organisation's Health and Safety Policies and arrangements are effective, enable concerns and suggestions for improvements to be made, promote the role of health and safety within the organisation and assist in the management of health and safety within FCHO.

The Health and Safety Committee is chaired by a member of the Leadership Team and includes the Board Champion for Health and Safety.

FCHO also has a colleague Health and Safety Group comprising colleagues across the business to ensure feedback and promotion of a positive safety culture across the whole business.

FCHO has reviewed the organisation's health and safety training matrix for individual roles and introduced a new monitoring process which is monitored through a regular assurance process and through the health and safety committee.

FCHO networks with similar organisations and has several memberships which enable access to information relating to health and safety issues, for example, the British Safety Council (BSC), the National Housing Federation (NHF) the Institute of Occupational Safety and Health (IOSH) and local Health and Safety groups. In 2017/18 FCHO continued to achieve the ISO 18001 accreditation for Health and Safety.

No major incidents have been reported in 2017/18.

Donations

During the year FCHO has made charitable donations to the total of £86,795 (2016/17: £93,365) to various charities and community groups.

Policy on payment of creditors

It is the policy of the organisation to pay its creditors within 30 days.

Regulation 113(7) of the Public Contracts Regulations 2015 introduced the following publication requirements: After March 2016, all in-scope organisations must publish, on an annual basis and covering the previous 12 months, (i) the percentage of their invoices paid within 30-days, ii) the amount of interest paid to suppliers due to late payment and (iii) the total amount of interest that the contracting authority was liable to pay due to late payment. The data for financial year ending 31 March 2018 is shown in the following table:

Financial Year 2017/2018	Proportion of valid and undisputed invoices paid within 30 days in accordance with regulation 113	The amount of interest paid to suppliers due to a breach of the requirement in regulation 113	The total amount of interest that the contracting authority was liable to pay (whether or not paid and whether under any statutory or other requirement), due to a breach of Regulation 113
FCHO	**99.20%**	**£180**	**£647.38**

Modern Slavery Act 2015

FCHO's turnover exceeds £36 million for that period, therefore under section 54(1) of the Modern Slavery Act 2015 FCHO has produced a Slavery and Human Trafficking Statement for the year ending 31 March 2018. The statement can be accessed via FCHO's website (https://www.fcho.co.uk/modern-slavery-and-human-trafficking-statement/).

This statement sets out the steps that we have taken in the 2017/2018 financial year to ensure there is no modern slavery (including human trafficking) in our business or supply chains.

This statement is approved by FCHO's Board and Executive team and will be reviewed and updated as necessary or on an annual basis.

Gender Pay Gap Act 2010

The Equality Act 2010 (Gender Pay Gap Information) Regulations 2017 require relevant UK employers with 250 or more employees to publish information on their gender pay gap.

In 2016, the UK's gender pay gap for all employees (part-time and full-time combined) was 18.1 percent . This is the official figure used by the Office for National Statistics (ONS).

FCHO has published their report and this is positive with a median gender pay gap of 3.18 percent and a mean gender pay gap of -4.7 percent.

The report can be accessed via FCHO's website (https://www.fcho.co.uk/about-us/company-information/).

Compliance with the National Housing Federation Code of Governance

FCHO has adopted the National Housing Federation's 2015 Code of Governance. The Board reviewed its compliance with the Code at its meeting held on 11 July 2018 and approved that FCHO complies with all the requirements and provisions within the Code.

Compliance with the Regulator of Social Housing's Governance and Financial Viability Standard

FCHO's Board has assessed compliance with the Regulator's Governance and Financial Viability Standard. FCHO has developed an assurance model (based on a three lines of defence model) which supports evidencing compliance with the Standard and supports the Code of Practices (where applicable). This model was reported and formally approved by the Board at its meeting held on 11 July 2018 – this confirmed FCHO is fully compliant and that all the requirements of the Standard are met. The FCHO Board considers its compliance in July on an annual basis.

Statement of Director Responsibilities in respect of the Non-Executive Director Report and the Financial Statements

Board Members' Responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 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 group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

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

Disclosure of information to auditor

The Board of Directors who held office at the date of approval of this Board of Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditor

BDO LLP are FCHO's current external auditors. The Main Board appointed BDO in December 2017 to provide FCHO external audit service for a further three-year contract period commencing from the 2017/18 annual external audit.

The report of the Board of Directors was approved on 22 August 2018 and signed on its behalf by:

WSBradley

Warren Bradley
Company Secretary

Ged Lucas
Chair of the Board

PERichardson

Pauline Richardson
Chair of Audit and Risk Committee

FCHO's Strategic Report

FCHO's Board has prepared a strategic report which includes:

- FCHO's Strategic Objectives and progress
- Financial performance and year end position including Key Performance Indicators
- Employee Involvement and Engagement
- Value for Money (VFM)
- Risk and Assurance (including Governance)

FCHO - Background

The primary activity of FCHO is the provision of rented social housing accommodation across the borough of Oldham. FCHO was incepted and commenced trading in 2002 as an Arm's Length Management Organisation (ALMO) and was wholly funded by Oldham Metropolitan Borough Council (OMBC). The ALMO was limited by guarantee and did not have any share capital.

On 30 December 2010 FCHO was registered under the Industrial and Provident Societies Act (1965) and began trading as a Registered Provider on 7 February 2011 following the transfer of 11,867 properties from OMBC on that date.

Santander is FCHO's primary funder and there is a 30-year business plan in place which is reviewed and approved annually by Santander as part of the £55million loan facility agreement in place.

On 1 August 2014 the Co-operative and Community Benefit Societies Consolidation Bill was approved by Parliament and from this date FCHO is no longer governed by the Industrial and Provident Societies Act 1965 and is now registered as a Community Benefit Society (registration number 31138R) with charitable objectives under the Co-operative and Benefit Societies Act 2014.

FCHO's housing stock is solely within the borough of Oldham and is made up of 11,484 properties, these are traditional rented properties mixed between General Needs Stock, Supported Housing and Affordable Rent properties.

During the year ended 31 March 2018 the number of units had reduced by 87. This was due to 80 Right to Buy and 8 Right to Acquire sales and 1 demolition; as well as 2 additions. Both of these were previously community rooms converted into general needs social housing properties.

General Needs Rental	2018	2017
Social Housing	**10,725**	10,810
Affordable – General needs	**759**	761
	11,484	11,571

FCHO is governed by a Board of between eight and twelve Non-Executive Directors. FCHO is led and managed by a Chief Executive, supported by a team of three Executive Directors who are respectively responsible for the Homes and Investment, Customer First and Corporate Services divisions. The Executive team is supported by seven Assistant Directors.

FCHO – Strategic Direction

FCHO recognises its role and responsibility as a Registered Provider and social business providing social housing within Oldham. FCHO's Strategic Plan outlines its strategic objectives for the next five years and identifies business objectives which have been identified as bespoke priorities for our customers and communities.

FCHO has a Strategic Planning and Risk Management Framework in place. This framework outlines the process of setting FCHO's strategic objectives, delivery of the objectives and how the objectives align to risk and assurance, and financial planning (inclusive of stress testing).

FCHO's Strategic Plan includes:

- 'One Message' statement – FCHO's Vision and Mission
- Strategic Objectives which are supported by Enabling Activities
- Operating Environment Review
- Strategic Risk Analysis
- 30 Year Financial Plan (inclusive of stress testing)

FCHO's 'One Message' is shown below:

Vision	**Improving Lives in Oldham**			
Mission	**To be a trusted provider of quality homes, excellent landlord and support services, creating thriving and independent communities**			
Pillars	**Excellent Landlord Services**	**Thriving Communities**	**Building New Homes**	
Values	**We Listen We Act**	**We Keep It Simple**	**We Own We Learn**	**We Care**

The delivery of the Vision is underpinned by FCHO's Strategic Plan 2018-2021 (this can be accessed on the FCHO website (https://www.fcho.co.uk/). The Strategic Plan is reviewed annually by Board.

First Choice Homes

Why we're here ***Improving lives in Oldham***

Our plans for the next three years

Excellent Landlord

- Customer First Strategy
- Fit-for-purpose services

We know our plans are working if:

Create Thriving Communities

How we do it

- Health and housing
- Place Based Services
- Skills for Life

How we know we've done it

We know our plans are working if:

New Build Homes

- Move from builder to developer
- Paying for new homes

We know our plans are working if:

Things that make this happen

- Efficient right-first-time services
- Efficient Strategy
- Organisational Development
- Partnerships
- Business Assurance

FCHO's Strategic Objectives and Enabling Activities are identified in the table below, along with how the Board will measure delivery of these operations:

Business Area	Strategic and Enabling Objective	Measured By
Landlord	Excellent Landlord Services	Customer Satisfaction KPIs for: • Landlord; • Repairs; As well as a range of touchpoint surveys for when we interact with customers
Communities	Create Thriving Communities	Employment: number of customers we support into sustainable employment, (i.e. still in employment 6 months after we have supported them into a permanent job) Health: reduction in demand from our customers for social and health care services (used as a proxy measure for Health and Wellbeing and requires baseline figures from NHS / other applicable agencies and to agree measurement indices with these partners)
Development	Build New Homes	Number of new homes built or acquired
Strategic Enabling Activities	Right First Time Services and Maximise Income	Delivery of: • Safe Homes • Strategic Objectives; and • Maximising Income KPIs

Further details on progress and outcomes for 2017/18 can be found in FCHO's VFM Overview on pages 19 to 27.

2017/18 – The Year Review

2017/18 has been a very positive year for FCHO with a number of key achievements, despite a challenging environment, particularly as a result of further Welfare Reform impacts.

FCHO continues to have a strong financial strategy, the objective of the strategy is to **'provide a robust, long term, sustainable financial position that supports FCHO in maximising the delivery of its Vision and associated Strategic Objectives.'**

FCHO has faced significant challenges throughout the year as a result of further Welfare Reform impacts (e.g. third year of the four-year benefit freeze). In addition FCHO has been impacted by the April 2017 roll out of the Full Universal Credit Service. This has meant a significant increase in the number of FCHO customers in receipt of direct payment with a mixed picture throughout 2017 as Universal Credit volumes increased. As at March 2018 the income collection performance achieved was outstanding with an overall collection rate of 99.22%.

Despite these challenges, in 2017/18 FCHO has now successfully implemented and delivered the total £4.1m savings required following the four-year 1% rent reduction.

FCHO is committed to the delivery of 'Excellent Landlord' services, however recognises its role as more than a landlord, and central to its strategic objective to 'Create Thriving Communities' is FCHO's range of support services to benefit customers by improving their health and wellbeing, employment prospects and quality of life.

To support delivery of the creation of 'Thriving Communities' in 2017/18 FCHO has introduced new additional services aimed at supporting the health and wellbeing of our communities and also expanded the support for customers to gain sustainable employment opportunities.

Customer Engagement is vital in improving FCHO's landlord services and they have increased their focus on understanding the customer experience for a range of front-line services. As a result of this feedback there are a range of service improvements in progress and this work will continue as a key focus for 2018/19.

Development

As a key strategic objective to deliver new homes, in 2017/18 there were 190 units started on site by 31 March 2018.

In January 2017 FCHO was allocated £5.973m grant funding to support delivery of the programme by Homes England. In 2017/18 FCHO has increased this grant allocation by a further £1m, bringing the total grant allocation to £7.067m.

FCHO continues to work to identify land opportunities and sites across Oldham to support FCHO's 2017-22 Development Programme.

The development programme of 820 homes costing £103 million was approved subject to re-financing, which has been completed and the loan facility increased to £95 million, this was approved on 27th June 2018.

FCHO continues to work to improve Oldham and our neighbourhoods as places to live, provide a great workplace for colleagues and support local businesses and the local economy.

Full details of these services and the progress achieved in 2017/18 can be found in the Value for Money Standard Overview (pages 19 to 27).

Re-financing

FCHO has concluded the re-financing of its loan facility with Santander increasing its current loan facilities from the current £55m to a total of £95m.
The re-financing supports FCHO to fund its ambitious five-year development programme and was concluded on 27 June 2018.

High Risk Blocks – Fire Risk

Following the recent tragic fire at Grenfell Tower in London, FCHO has reviewed each of its five high rise blocks. Of the five blocks owned by FCHO, four have external wall insulation, FCHO has confirmed to the Department of Communities and Local Government (DCLG) that both the insulation system and product used are fully compliant with fire and building regulations.

FCHO has significantly invested in compartmentation and fire risk works in the last five years. All of the five high rise blocks have Fire Risk Assessments carried out by an external fire consultant on an annual basis, the most recent being completed in November 2017.

Financial Performance of the Year Ended March 2018

On 7 February 2011 FCHO acquired 11,867 properties for rent from OMBC. FCHO has an obligation to repair and refurbish the properties. As at the 31st March 2018 FCHO's approved Financial Plan assumes a peak debt level of £54.380m. FCHO results should be considered with this in mind.

Post year-end the Board approved a new 2018/19 Financial Plan with a new peak debt level of £90.929 million. The new re-financing of £95 million to support this borrowing level was concluded on 27th June 2018.

With regard to FCHO's main activity, (the letting, management and maintenance of rented housing), the turnover was £50.326m with an operating surplus of £17.444m. FCHO made a surplus for the year of £14.986m before taxation. Over 80% of investment work is capitalised with the remaining work expensed through the Income Statement.

Financial Position

	Year ending 31 March 2018 £ '000	Year ending 31 March 2017 £ '000
Turnover	50,326	49,290
Operating surplus	17,444	17,911
Surplus before taxation	14,986	15,319

FCHO continues to be committed to maximising its resources with a key focus on rent collection and rent loss due to voids and has had another successful year, as at March 2018 year end FCHO achieved rent collection of 99.22% and Rent Loss Due to Voids was 0.69%. Further details on progress in this area can be found within the Value for Money section on pages 19 to 27.

The main accounting policies are set out in pages 42 to 46 of these financial statements.

Following completion of the stock transfer offer document promises, FCHO continues to meet 100% decency of its stock. Future investment works over the next three years will be focused on environmental improvements totalling £11.9m, FCHO is currently implementing an environmental works framework to maximise resources to deliver the environmental programme. Other investment works are subject to an OJEU tender process on either a work-stream or scheme-by-scheme basis. This will ensure there is a strong competitive element to the award of work.

In relation to property sales a Right to Buy Sharing Agreement with OMBC was agreed at the point of stock transfer. Under this agreement, OMBC receive all sales income from Right to Buys for the first twenty-five years and FCHO will retain the Net Income Foregone which ensures that the business plan for FCHO is left in a neutral position. After twenty-five years all receipts shall be retained by FCHO.

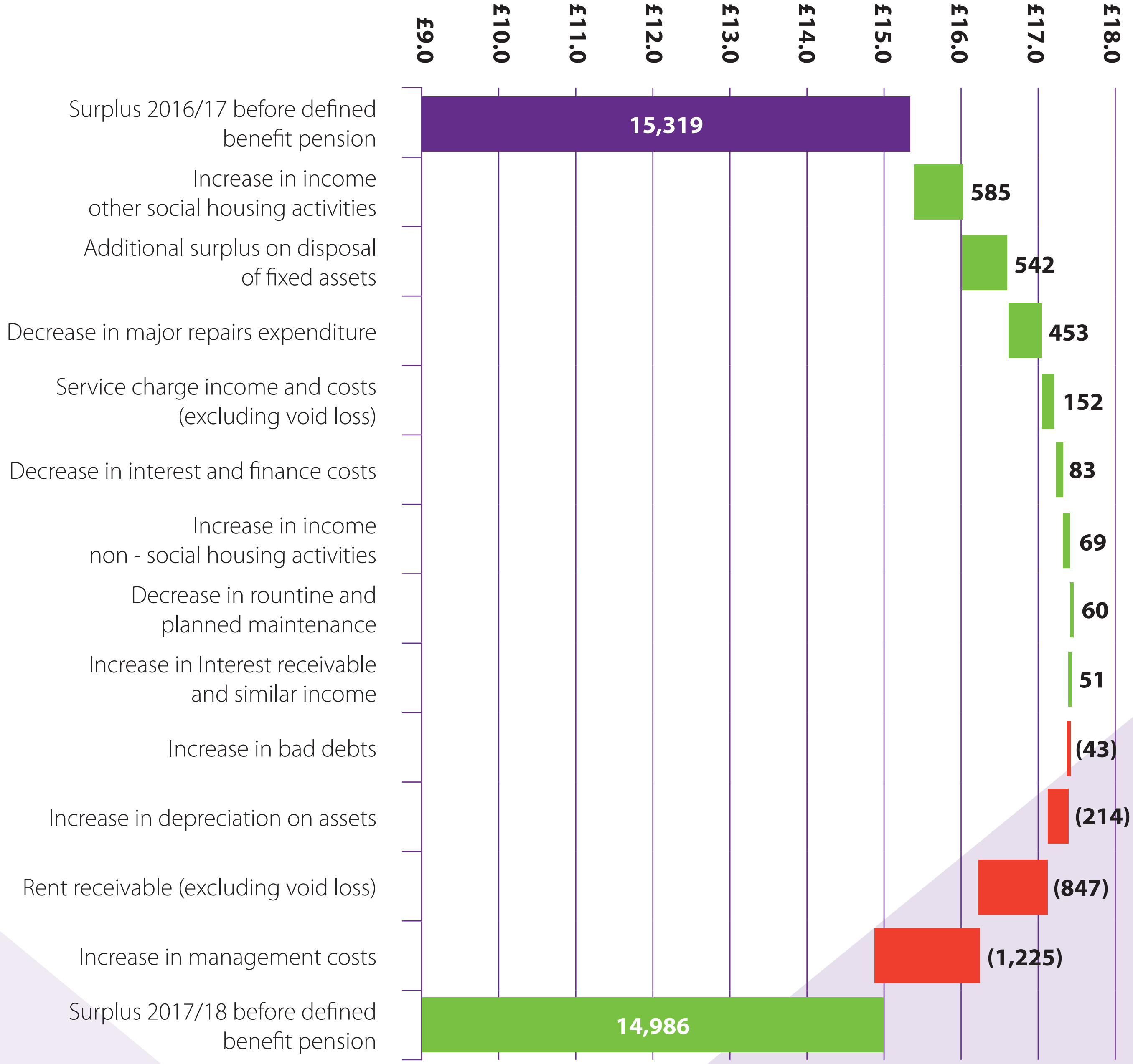
FCHO has an approved VAT Shelter for 15 years post stock transfer and as a result VAT incurred on the Regeneration Programme will be recovered. As part of the stock transfer agreement the initial first tranche of £15.913m was retained by FCHO and from December 2015 the VAT Shelter balance is shared with OMBC under the 50/50 sharing agreement. Further details on the VAT Shelter are included in the accounting policies.

Financial Highlights are included for the year 31 March 2018

Consolidation	**2018 £'000**	**2017 £'000**
Income and expenditure account		
Turnover	50,326	49,290
Operating costs	(34,870)	(32,825)
Surplus on disposal of fixed assets	1,988	1,446
Operating surplus	17,444	17,911
Surplus for the year after taxation	14,986	15,319
Balance Sheet		
Housing properties net of depreciation	106,857	96,753
Other tangible assets	9,572	8,500
Net current assets	116,649	118,265
	233,079	223,518
Creditors due after one year	40,866	33,020
Provisions - Pension Liability & VAT Shelter	111,180	126,620
Revenue Reserve	81,032	63,878
	233,079	223,518
Operational indicators		
Total housing stock	11,484	11,571
Arrears of rent and service charges as a % of Rent Debit	2.65%	2.55%
Total loans due in 5 years or more	32,000	26,000
Operating Margin	35%	36%
% of non-decent homes	0%	0%
SAP rating	72	74

Income and Expenditure Summary

Turnover for the year was £50.326m achieving an operating surplus of £17.444m and an overall surplus for the year of £14.986m.



This graph illustrates how the overall surplus was achieved against the previous year's outturn. FCHO achieved an operating surplus of £14.986m (2016/17: £15.319m). The decrease in surplus is largely due to a significant increase in net operating costs (excluding depreciation) by 6.5%, which mainly relates to increased costs in management and planned maintenance costs offset by a decrease in major repairs and routine maintenance costs. This has been further increased by a reduction of rental income of (£0.847m) through applying the 1% rent reduction and an increase in depreciation.

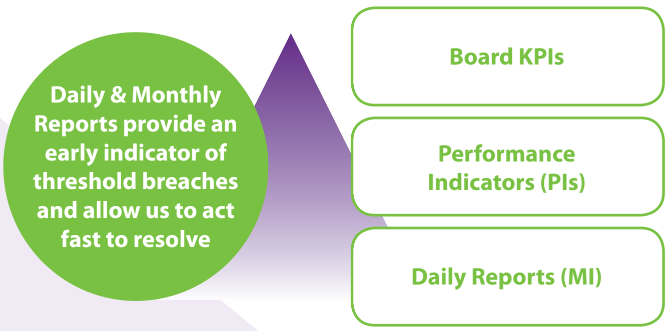
2017/18 Performance

Performance Monitoring Framework

The Performance Management Framework is reviewed on an annual basis to ensure it meets the needs of the organisation and the need for performance information and data to inform strategic decisions. The framework incorporates the Strategic Planning Cycle and reporting requirements. The framework is designed to work alongside Covalent and the operational dashboards to further drive and embed our growing culture of outcome based performance and continuous improvement.

The framework sets out how we monitor, challenge and improve performance in all of our service areas and it details how data, management information and business intelligence will be gathered, recorded, reported and used to develop the services to our customers.

Indicators are split into three different categories:



- **Board level - Key Performance Indicators (KPI):** A set of indicators covering the whole organisation reported to Board to provide a health check of the organisation and help the Board guide the strategic direction of the organisation. The KPI targets should demonstrate a tangible route map to delivery of the Strategic Objectives.

- **Leadership level – Balance Scorecard Performance Indicators (BSC PI):** A set of financial and non-financial indicators that provide a more in-depth look at the organisation and inform and support the Performance Challenge process.

- **Operation Dashboards - Team / Directorate Performance Indicators (MI):** Used by team / service area managers or members of the Leadership Team to monitor information about the service that they provide.

Improvement and Intervention

Performance indicators are used to enable continuous improvement and targeted intervention where necessary. The following traffic light rating system is applied, alongside trend information.

- Red = Outside pre-defined target tolerance
- Amber = Within pre-defined target tolerance
- Green = Achieving or exceeding the target set

Target tolerances for KPIs are set by the Board and target tolerances for BSC PIs will be set by the Executive Team in conjunction with the Business Intelligence Team.

To support the development of the tolerance against target, the following should be considered:

- Risk, the higher the risk the lower the tolerance
- Financial impact, the higher the risk to potential income collection financial loss the lower the tolerance
- Legal / regulatory requirements, if bound by legal requirement the lower the tolerance
- Delivery of the Strategic Plan, we need a lower tolerance where there is a risk to delivery

The table below sets out KPI results for FCHO in 2017/18. Performance has been very positive throughout the year with five out of the seven targeted indicators exceeding or achieving targets. Satisfaction with Responsive Repairs has increased to over nine in ten satisfied and has shown a year-on-year improvement to reach an all-time high of 91%. Satisfaction with landlord services is below target and to understand the customer experience further FCHO has introduced and rolled out touchpoint satisfaction surveys across all key services. The aim is to gain a more granular view of key drivers at each stage in the customer journey. This has already produced more actionable insight to improve outcomes for customers.

	2016/17		2017/18	
KPI	**Target**	**Outturn**	**Target**	**Outturn**
% Rent Collected	99.60%	100.12%	99.60%	99.22%
% Rent Loss due to voids	0.90%	0.77%	0.80%	0.69%
% of properties with a gas certificate	100.00%	100.00%	100.00%	100.00%
% of non-decent homes	0.00%	0.00%	0.00%	0.00%
% of Customers satisfied with Landlord services	83.00%	81.97%	81.00%	78.00%
% of Customers satisfied with Responsive Repairs	90.00%	91.00%	90.00%	91.00%

Employee Engagement

FCHO has a strong commitment to engaging colleagues at all levels of the business in delivering excellent service to our customer. This is primarily supported by two consultation mechanisms, the first is 'Colleague Voice', a representative group elected by colleagues that also includes representatives of trade unions recognised by FCHO for collective bargaining purposes; which focuses primarily on terms and conditions and carries out the employee relations function similar to a traditional Joint Consultative Committee.

The second is 'Chatterbox' whose role is to encourage and support colleagues to make changes to operating practices and culture. This year 'Chatterbox' has been involved in improving communication across the organisation and supporting the development of the Organisational Development Strategy.

This year has seen a positive trend in employee engagement with colleague satisfaction rising to 90%, a reduction in colleague sickness absence, positive feedback from colleagues to the Investors in People assessment and a significantly improved outcome for FCHO's entry in The Times Top 100 Best Companies to Work for 2018 (Not-for-Profit) where we placed at 55, ten places higher than the previous year.

FCHO undertook a range of activities this financial year including the following:

- FCHO entered Best Companies 2018 and secured 55th place in the Not-for-Profit sector, an improvement on our previous year placing of 65th
- Retained the Gold Investors in People Accreditation.
- Retained Investors in People Health and Wellbeing Award.
- Commenced a culture change programme as part of the approach to the Organisational Development Strategy. Implemented a 'keep it simple' appraisal process focusing on the quality of the conversation with colleagues.
- Delivered a comprehensive colleague talent and development offer.
- The Leadership Way and Total Talent programmes provides all our leaders and aspiring leaders a comprehensive programme of development focusing on leaders as people as well as focusing on their professional role and contribution.
- Live Well, our organisation's health and wellbeing programme, delivered a number of successes including mindfulness and meditation courses, an on-site physiotherapy clinic, and the annual walking challenge.
- Trained 30 colleagues as mental health First Aiders.

Colleague satisfaction remains high with nine out of ten colleagues being satisfied or very satisfied with their job.

- Overview – including the new reporting requirement, FCHO's activities and governance
- Financial Strategy inclusive of benchmarking and Homes England's new 7 Metrics
- Strategic Plan Objectives critical to the delivery of VFM, inclusive of how these have been delivered, and the performance outcomes

VFM: Overview

In April 2018 the Regulator of Social Housing issued a new Value for Money Standard (VFM) with a supporting Code of Practice. The VFM Standard requires providers to report on a suite of seven key VFM metrics; this new reporting requirement replaces the publication of a VFM self-assessment within the annual strategic report. These new Metrics are included in Financial Performance Benchmarking on page 20.

FCHO has financial, strategic and operational targets in place for measuring performance and achieving value for money in the delivery of the strategic objectives. FCHO regularly monitors and reports performance against these targets and has measurable plans to address any areas of underperformance.

FCHO is committed to continuously improving Value for Money (VFM) for our customers in all aspects of our business.

Financial Performance Benchmarking

FCHO is aware that there are limitations with the use of benchmarking as it can be difficult to make direct comparisons due to a range of factors including consideration of each organisation's strategic objectives.

In analysing performance FCHO uses financial benchmarking data in assessing whether the financial performance can be considered to be above, below or within the average range in comparison to similar housing associations.

With the introduction of the new VFM metrics, FCHO has reviewed the previous three years financial performance and included the budgeted 18/19 position for all of the metrics.

The metrics are provided below supported by narrative outlining FCHO's performance. In order to understand FCHO's performance relative to its peers, FCHO is underway with a peer comparison of the metrics, these will be reported in full in the 2018/19 Financial Statements.

The indicators (metrics) are set out below showing FCHO's performance for the last three financial years, also providing the budget targets for 2018/19.

The Regulator's Defined VFM 7 Metrics

FCHO's Annual Financial Statements

	2015/16	2016/17	2017/18	2018/19
Reinvestment %	22.32	14.36	13.99	28.68

Investment in properties (existing stock as well as new supply) as a percentage of the value of total properties held.

In 2015/16 FCHO delivered the last of the five-year offer document promises which invested significantly in improving current properties. There is a subsequent reduction to 2016/17 and 2017/18 of around 14% as investment expenditure levels returned to steady state one. This figure is set to rise significantly (to over 29%) in 2018/19 as FCHO invests significantly in the development of new properties.

It is important to remember that a key driver of this metric is the underpinning Stock Condition Survey and this is influenced by the age and history of the existing stock as demonstrated in the early years of the Large Scale Voluntary Transfer (LSVT).

	2015/16	2016/17	2017/18	2018/19
New Supply Delivered %	0	0.02	0.02	0.49

The number of new social housing and non-social housing units that have been acquired or developed in the year as a proportion of total social housing units and non-social housing units managed at year end

FCHO has had historically low levels of development as the initial focus has been to invest and deliver the required investment in its current housing stock.

This figure is set to rise to 0.49% in 2018/19 and is forecasted to further increase as the full development programme is delivered (2.58% in 2020/21).

Gearing %
This metric assesses the level of Net Debt per unit

2015/16	2016/17	2017/18	2018/19
17.04	9.49	-2.31	20.92

FCHO has relatively low levels of gearing which have reduced since 2014/15. Gearing is expected to increase to 21% in 2018/19.

Due to the levels of planned development and the associated increase in borrowing, this figure is projected to increase to 40% over the next 3 years. This suggests a good level of potential future capacity.

The gearing metric was negative at the end of 2017/18 as FCHO held high cash balances due to the level of fixed rate loans in place.

EBITDA MRI Interest Cover
The EBITDA MRI interest cover measure is a key indicator for liquidity and investment capacity. It seeks to measure the level of surplus that a registered provider generates against interest payments

2015/16	2016/17	2017/18	2018/19
-119.30	300.57	310.59	146.87

In 2015/16 EBITDA was negative due to the significant levels of investment in stock associated with delivery of the offer document promises, this then increased for the next 2 years. In 2018/19 investment spend is increased which reduces the % cover.

FCHO EBITDA MRI definition with its funder differs to the regulator's metric and provides an increased level of headroom.

Headline Social Housing Cost per unit
Headline social housing cost per unit

2015/16	2016/17	2017/18	2018/19
4490.23	3525.37	3637.23	3880.25

This indicator is heavily influenced by capitalised major repairs as can be seen from FCHO's results in the earlier years.

As highlighted in previous years our HSHC has been higher than our peers, this however is attributable to the level of major works spends demonstrating FCHO's investment in the quality of its homes.

Data from 2017 HCA Global Accounts

Consolidated Group Level - Benchmarkeing with Local peer group	Headline Social Housing CPU	Manage-ment CPU	Service Charge CPU	Mainte-nance CPU	Major Repairs CPU	Other Social Houisng CPU
FCHO	£3,525	£896	£239	£798	£1,458	£135
Average for the peer group*	£3,365	£1,069	£300	£865	£894	£235
Average for the sector	£3,698	£943	£551	£991	£747	£467

* Peer group of local LSVTs with over 7,500 units

Operating Margin (social housing lettings only)
The Operating Margin demonstrates the profitability of operating assets before exceptional expenses are taken into account.

2015/16	2016/17	2017/18	2018/19
23.25	33.43	29.86	28.33

The Operating Margin has reduced in recent years predominantly as a result of the rent decrease combined with the impact of Right to Buy Sales reducing rent income.

Operating Margin
Overall operating margin

2015/16	2016/17	2017/18	2018/19
23.69	33.40	30.71	28.29

There is little difference between the figures for social housing lettings and overall as FCHO main trading activity is related to social housing lettings.

Return on Capital Employed (ROCE)
This metric compares operating surplus to total assets less current liabilities and is a common measure in the commercial sector to assess the efficient investment of capital resources.

2015/16	2016/17	2017/18	2018/19
5.78	8.01	7.48	6.38

For associations with an existing VAT Shelter FRS102 required associations to state both a current debtor and long term creditor for the full works VAT shelter amount (regardless of the sharing agreement). As this indicator takes the current assets this considers the VAT Shelter debtor which for FCHO is £91m, it does not take into account the corresponding long term creditor. This therefore does not allow reasonable comparison.

FINANCIAL STRATEGY

FCHO's Financial Strategy outlines a key measure of VFM is the FCHO defined 'Operating Surplus per unit'. The Operating Surpluses are used to fund investment in FCHO's existing stock and also the development of new homes. The extent of the surplus generated determines the level of investment FCHO can make whilst remaining financially viable.

Operating Surplus per Unit is used to measure the financial performance of FCHO as it:

- Has a direct relationship with new build development investment - if surpluses increase or decrease (based on the financial plan assumptions) then the financial capacity for development will also increase or decrease
- Includes key revenue operating income and expenditure activities
- Is clearly defined and easy to calculate with minimal risk of misinterpretation
- Provides consistency of calculation in comparing internal direction of travel and with other organisations (if available)

The FCHO operating surplus supports the current performance and targets.

Current Performance and Targets

FCHO has a strong record of financial stability and continues to out-perform its annual budget, increasing surpluses which have then been re-invested into each annual revised Financial Plan.

In the last four financial years (2014-2018) FCHO has delivered an average Operating Surplus per Unit of circa £2,114, (see below):

	Actual 14/15	Actual 15/16	Actual 16/17	Actual 17/18
Operating Surplus per unit	£2,008	£2,046	£2,199	£2,200

In 2017/18, FCHO achieved its highest level of Operating Surplus, £2,200 per unit against our approved Financial Strategy target of delivering Operating Surpluses at an average of £2,000 per Unit over the medium-term.

The Financial Strategy is integral to FCHO's approach to delivery of efficient, effective, value for money services, whilst supporting new build development. The approach reviews direction of travel of financial performance over time.

Resource Allocation

To ensure FCHO's resources are allocated appropriately to support the business in delivery of its Strategic Objectives, FCHO has set a target to achieve this balance. This is set at 75% of operating cost resources to delivery of front-line services with the remaining 25% allocated to overhead costs. This ensures a formal relationship which links income and expenditure and operating surplus.

Strategic Planning, Risk Management Framework and Performance Framework

FCHO's Strategic 30 Year Financial Plan and objectives are reviewed annually. Providing VFM is integral to achieving these objectives and FCHO regularly reviews its approach to VFM to support this.

FCHO's Performance Management Framework ensures that it robustly and regularly monitors performance to deliver the Strategic Plan and Financial Strategy. The framework identifies the VFM Key Performance Indicators (KPIs) and VFM is assessed against these, taking account of whether performance has materially improved or worsened.

FCHO uses this VFM assessment to identify where VFM improvements are required in the business and to set its performance and financial targets for the coming year. The VFM assessment is summarised below:

Indicator	Measurement
	Performance is at target and demonstrates a positive direction of travel.
	Targeted performance not achieved and improvements required in direction of travel.

In 2017/18 FCHO committed to deliver further, specific VFM improvements. Details of the progress made against these improvement areas can be found within the updates on each of three "Strategic Objectives" and supporting Enabling Plan commentary.

Strategic Objective - Excellent Landlord Services

Excellent Landlord	2017/18 Target	2015/16	2016/17	2017/18	VFM Assessment	Targets 2018/19
Customer satisfaction of all responsive repairs to all FCHO properties	90%	87.40%	91%	91%	🟢	90%
% properties with a gas safety certificate	100%	100%	100%	100%	🟢	100%
% of tenants satisfied with overall landlord services	81%	81.28%	81.87%	78%	🔴	81%

FCHO delivered a significant number of service improvements in 2017/18 and these have led to maintained excellent levels of satisfaction for repairs (Property Care).

Disappointingly FCHO has not achieved its 2017/18 target for Landlord satisfaction and has seen a slight dip in performance in year. FCHO engages with over 4,200 customers each year through its landlord and repairs customer surveys and uses the feedback to improve the customer experience. FCHO is committed to improving its services and to allow FCHO to further improve the understanding of the customer journey. In addition FCHO has invested in its business intelligence capacity and this has allowed FCHO to implement a series of new touchpoint surveys in addition to the existing 4,200 surveys. The new touchpoint surveys are across a range of services including New Tenancy, Service Centre, Cyclical Repairs, Estates and Tenancy Terminations. There are further surveys that have been introduced for 2018/19 Anti-Social Behaviour and End of Tenancies which went live in June 2018. These surveys are triggered on the basis of a customer accessing a service and a short satisfaction survey is sent via a mobile phone text message to customers. These responses are collated and fed into real time business intelligence reports. The customer feedback has allowed FCHO to focus at a granular level on the customer journey and this is providing actionable insight into the key drivers of satisfaction. These areas include ease and speed of access to the service, service quality and knowledge/ professionalism of staff providing the service. An Excellent Landlord Taskforce has been established to deliver performance improvements and increase customer satisfaction.

FCHO Effective Asset Management - Return on Property Assets

In 2016/17 FCHO introduced its own Active Asset Management database. This aligns with FCHO's Financial Strategy and has given FCHO the functionality to analyse FCHO's Operating Surplus per Unit over every individual property, and this can then be aggregated to review property types and sizes and neighbourhood area.

FCHO has two full years of financial data (2017/18 data will be reviewed in Quarter 3 2018/19) and the table overleaf provides the analysis over property type and size for FCHO's 2016/17 Operating Surplus per Unit, (see Financial Strategy reference above):

2016-17 Property Performance

Property Type	Income Collected	Costs	Annual Surplus	Costs % of Income	Property type % of Stock	Count of Property	Annual Average Surplus
Flat 1 bed	£11,571,069	£5,973,199	£5,597,870	51%	28%	3286	£1,704
Flat 2 bed	£6,687,604	£3,278,606	£3,408,998	48%	15%	1747	£1,951
House 2 bed	£9,845,077	£4,225,720	£5,619,357	42%	21%	2380	£2,361
House 3 bed	£13,430,258	£5,173,634	£8,256,623	37%	26%	2973	£2,777
Other	£4,712,104	£2,205,273	£2,506,830	46%	10%	1185	£2,115
Total	**£46,246,111**	**£20,856,432**	**£25,389,679**	**45%**	**100%**	**11571**	**£2,199**

In 2016/17 the average surplus per property **increased** to £2,199. One-bedroom flats remain the worst performing stock at £1,704, whilst three-bedroom houses remain the best performing at £2,777. The review focused on differing financial performance between property types but also sought to understand differentials between individual properties/estates within the same property type. This allowed FCHO to then identify interventions to improve the financial performance of the properties. This data has allowed FCHO to identify targeted interventions to improve the financial performance of the properties. These include intervention visits where there are high-cost repairs, an assessment of properties that have multiple void instances in a rolling twelve-month period, and FCHO is also undertaking option appraisals on consistently poor-performing properties which will include FCHO's high rise blocks.

Major Works Investment in FCHO properties

Since stock transfer FCHO has invested over £137 million in improving the housing stock and external environment of its communities.

FCHO has an asset management strategy supported by an externally validated Stock Condition Survey. In 2015/16 FCHO completed its five-yearly stock condition survey based on a 17% stock condition survey and this was used to determine the level of investment required within FCHO's Financial Plan.

What action has FCHO taken and what has this achieved?

In 2017/18, FCHO has procured and delivered £14.7 million of works, analysis of which is provided below:

	2017-18		Total 2011-18	
	No. of units	**(£)**	**No. of units**	**(£)**
Environmental works		5,916,238		21,051,954
Kitchens	192	770,975	8,461	28,854,555
Bathrooms	244	593,803	5,876	13,949,651
Adaptations	37	300,947	1,080	6,446,089
Doors, Windows etc.	1506	522,984	6,739	4,446,051
Heating and Wiring	701	772,562	11,890	18,341,191
Fees	0	774,880	0	10,922,385
Other major works	0	5,020,471	0	32,979,777
Total		**14,672,860**		**136,991,653**

Based on the investment works delivered in 2017/18 there is an overall saving on unit rates of £0.283 million. This has been re-invested into the 2018/19 financial plan to support the development of new homes in line with the five-year development programme.

Strategic Objective - Creating Thriving Communities

Create Thriving Communities	2017/18 Target	2015/16	2016/17	2017/18	VFM Assessment	Target 2018/19
FCHO Employment Service - no of sustained employments (over 6 months)	120	not collected	44	159	N/a	159

Employment

FCHO wants everyone to live in a home they can afford and recognises that with the changes in Universal Credit and the benefit cap, FCHO customers could be in a situation where they are in financial hardship.

FCHO has taken a proactive approach and created the Directions Employment Service to support customers towards financial independence by finding suitable and sustainable employment.

FCHO's internal employment service Directions has continued to deliver and sustain employment opportunities for its customers in Oldham and in 2017/18 the team achieved 159 employment outcomes that were sustained for six months, exceeding their target of 120 for the year.

Health

There are over 16,000 people aged over 75 living in Oldham and in Oldham West circa 20-25% of these presented to A&E or were admitted to hospital more than once over the past twelve months. It is estimated that circa 6,000 over 75s live in social housing; we have services which target both these and the other 10,000 older people who do not.

FCHO recognises the many challenges and strains on its partner organisations with increasing demand. Linking health with housing is a key driver for FCHO which has invested in its Health and Wellbeing team. The team includes the Disability Living Service (and linked Occupational Therapy services), Housing Options for Older People, Hospital Discharge (Hospital2Home and A&E2Home), Healthy Homes Service and the Independent Living Service.

The Hospital Discharge Service, Housing for Older People and Oldham Healthy Homes are supported by a range of partners; Pennine Care trust, Oldham Council, Oldham Clinical Commissioning Group and Oldham Urgent Care Alliance.

These initiatives are delivering essential services and are key to reducing hospital demand and re-admissions and also providing specialist housing, care and support advice and support services for older people to enable them to continue to live independently in their own homes.

Build Desirable Homes

In 2017/18 FCHO's Board approved a five-year development programme to deliver 820 new homes at a cost of circa £103million. This was approved subject to re-financing, which is currently underway and will increase from the current loan facilities of £55m to a total of £95m. This is expected to be completed by the end of June 2018.

During the year the approach to Development has seen some major changes. At the start of the year FCHO had a limited Development team comprising of only two team members; during the past year the team has grown to ensure there are sufficient resources to deliver FCHO's development aspirations. The team now comprises six members of staff with the final stage of staff recruitment due to be completed during Quarter 1 and Quarter 2 of 2018/19. This includes the additional posts of Assistant Director of Development and a Senior Clerk of Works as well as an opportunity to support future succession planning with the recruitment of graduate trainees.

FCHO has delivered excellent results in its first full year and has exceeded the targets agreed with Homes England (HE). At the start of the year, there were 106 starts on site programmed with HE with a forecasted grant funding drawdown of £1,469m. The 2017/18 year-end outturn position delivered 190 starts on site, with a grant draw-down of £4,785m. In 2017/18 FCHO has also increased its total grant allocation by a further £1m, bringing the total grant allocation to £7.067m.

In 2017/18 FCHO commissioned an independent piece of work to understand housing need in Oldham and how FCHO can use this information to inform and shape future development projects. FCHO has a Land and Planning Manager who has been developing an approach to establishing a pipeline; this has been achieved by gaining a clear understanding of the land availability and opportunities across Oldham. This approach will expand further during the coming year to inform the Board of opportunities beyond Oldham, and in turn will be utilised to develop the organisation's strategic approach to growth and ensure there are sufficient land opportunities to deliver the numbers of units programmed.

Projects delivered during this first full year of delivery have predominantly focused on sites within the Oldham Borough, however FCHO has ventured into Rochdale to deliver its first project outside of Oldham.

FCHO has also been pursuing opportunities to deliver shared ownership and outright sale products. The approach to these tenures is planned to be agreed by FCHO's Board early 2018/19 to ensure we deliver mixed-tenure projects during the coming year.

Enabling Plan

What action has FCHO taken and what has this achieved?

FCHO continues to deliver its strong financial strategy and has implemented all savings required to meet the rent reduction.

The following table provides an analysis of 'Enabling' VFM KPIs, followed by further details on some of the key areas of work in this part of the business.

Excellent Landlord	2017/18 Target	2015/16	2016/17	2017/18	VFM Assessment	Targets 2018/19
Rent Collection	99.60%	99.82	100.12%	99.22%		98%
Rent loss due to Voids	0.80%	0.86%	0.77%	0.69%		0.60%
Number of days lost through sickness absence	9.16	8.79	10.80	9.12		8.33

Rent Collection

FCHO has continued to deliver high-performing rent collection against a challenging backdrop for 2017/18 with the roll out of Full Universal Credit (UC). An Income Collection Insight Review focused on the customer and payment behaviour influences and the review introduced enhanced business intelligence capabilities for the Universal Credit service.

The 2017/18 Rent Collection target was set based on FCHO's previous experience of Live Universal Credit both in terms of customer numbers and collection rates. In April 2017 FCHO moved to the "Full" Universal Credit service and experienced a significant increase in claimants. Improved business intelligence reporting allowed the team to quickly react to changes in collection rates with a series of measures implemented to support customers and maximise income. The year-end collection rate was 99.22%.

Voids have continued to reduce in 2017/18 and as of March 2018 the rent loss due to voids was 0.69%. The reduction was attributable to a reduction in tenancy turnover, which is now at 9.34% down from 9.50% at the same point last year, and improved performance on void turnaround at 27.35 days cumulatively this year down from 30.54 days last year.

Risk and Assurance (including Governance)

Internal Control Assurance

The Board has overall responsibility for risk management within FCHO and the Board acknowledges its role and responsibility for ensuring that the organisation has an effective system of internal control and for reviewing its on-going effectiveness. The Audit and Risk Committee is responsible for ensuring effective internal controls and risk management.

FCHO has a Strategic Planning and Risk Management Framework which incorporates the strategic plan, 30-year financial plan, risk management framework and assurance framework. The approach taken ensures a golden thread between Strategic and Financial Planning and Risk Management and integrates assurance which underpins FCHO's internal controls.

The objectives of the framework are:

- Effective delivery of Strategic Objectives via clear and tangible linkages between FCHO's Strategic Delivery Plans, the Financial Plan (30 Year) and Risk Management /Assurance activity
- Board and officers understand and are informed on these 'clear and tangible' linkages, providing a 'golden thread' approach to the delivery of Strategic Objectives
- Embed risk management within strategic and investment decision making processes
- A clear understanding for FCHO's risk tolerance
- Compliance with the regulatory framework

This ensures that each strategic objective and associated risks are clearly aligned and supported by FCHO's assurance framework. Assurance is taken from key elements of FCHO's assurance framework.

There are no fundamental risks to the systems of internal control as basic controls and governance arrangements are in place for all areas.

The assurance framework provides evidence to confirm that the appropriate systems are in place and that these are subject to the appropriate levels of scrutiny for those areas that could have a significant impact on FCHO both financially and reputationally. This is a significant part of FCHO's governance arrangements and whilst every effort has been made to ensure that these controls manage key business risks, it should be noted that risks cannot always be eliminated. Consequently, whilst the Board is satisfied that the existing internal controls provide a substantial level of assurance, such assurance is not absolute.

Other elements of the internal control framework include:

- The organisation has a formally constituted Board and Committee network. There exists a suitable Code of Governance for Board and adequate Terms of Reference and delegated authority for each of its committees, all of whom meet on a regular basis. There is also a Probity Policy and a Code of Conduct for Non-Executive Directors and employees of the organisation
- A comprehensive Non-Executive Director Appraisal programme is carried out by external consultants with a training programme in place to ensure Non-Executive Directors remain professionally updated and have the skills to meet the needs of the business
- All business activities are managed through comprehensive policies and procedures
- FCHO has robust strategic and business planning processes, including detailed financial budgets, forecasts and cash-flows. The Management Accounts are reported to the Leadership team monthly and quarterly to the Board and Funders
- Internal Audit is provided by Mazars LLP. The internal audit programme is based on a three-year strategic audit plan. An annual audit plan based on key controls and risks is agreed, monitored and reported to the Audit and Risk Committee. The Board received an annual report from the Internal Auditors which concluded that:
    - FCHO has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the association
    - FCHO has an adequate, effective and reliable framework of internal control and effective risk management and governance processes which provides reasonable assurance regarding the effective and efficient achievement of FCHO's objectives, subject to the weaknesses identified in internal audit reports
    - No instances of actual or suspected fraud have been encountered during audit work
- From the internal audit work Mazars carried out in 2017/18 one fundamental risk was identified across fourteen internal audit reports. The majority of recommendations due to be completed in 2017/18 have been completed and signed off by Mazars. External audit is provided by BDO LLP, who review and report on the effectiveness of existing internal controls in their annual audit management letter
- Tenant scrutiny is also undertaken to review the performance of service delivery

Whilst not exhaustive, the above represents the key elements within the existing system of internal controls. Whilst there are areas for development, the foundations of a sound system for control are in place. The assurance framework has been reviewed throughout 2017/18 and is aligned with the Risk Management framework. This framework provides a full overview of the high level risks facing FCHO, including all forms of assurances provided in relation to the risk such as internal and external audit, performance monitoring and other external forms of accreditation. Work this year has focused on an enhanced assurance reporting framework focused on the "Second Line of Defence – Corporate Oversight." Key work continues in embedding an integrated risk management culture across FCHO.

In concluding its review, the Board is satisfied with the adequacy of these controls for the year ending 31 March 2018, and for the period to the date of signing the financial statements.

Key Risks Facing FCHO

Each risk within the risk register is analysed and prioritised in terms of likelihood and severity and inherent risk. The register identifies the existing controls and further controls in development to mitigate the risk. Once mitigations are factored in, the score is re-calculated and a residual risk score provided.

All risk and risk movements are reported quarterly to the Audit and Risk Committee for assessment and also reported annually to the Board on key annual movements.

As at March 2018 there were 12 strategic risks identified within the register. All operational risks are supported by FCHO's assurance framework. The three strategic objectives and the associated risks with the areas of supporting assurance are shown below:

Strategic Objective: Excellent Landlord

Key Risks

- **Business process re-engineering** 16
- **Repairs service unable to deliver** 8
- **Ineffective asset management** 12
- **Failure to develop staff** 9
- **Diverse housing services** 9

Key Sources of Assurance

- **Asset Management**
- **Health and Safety**
- **Regulator's Customer Standards**
- **Customer Excellence**

Strategic Objective: Create Thriving Communities

Key Risks

Unable to maximise partnerships	Failure to develop staff	Diverse housing services
12	9	9

Key Sources of Assurance

- Customer Excellence
- People

Strategic Objective: Build New Homes

Key Risks

Ineffective asset management	Ineffective financial strategy	Unable to maximise partnerships	Housing Need
12	8	12	12

Key Sources of Assurance

- Development
- Asset Management

The three objectives are supported by an enabling plan which is to ensure FCHO Maximises Income supported by a Right First Time Culture.

Enabling activities: Efficient business with well performing homes and great people that knows its customers

Key Risks

Risk	Score
Business process re-engineering	16
Welfare Reform	20
Failure to develop staff	9
Failure to maximise income	8
Ineffective Financial Strategy	8
Ineffective business operations	12
1% rent reduction	6

Key Sources of Assurance

- People
- ICT & data
- Income Collection
- Regulator's Economic Standards

The year-end strategic risk score analysis is shown below:

Risk Exposure	Risk Score	Number of Risks
Outside of control – Very High	21 - 25 (outside of control)	0
Very High	21 - 25	0
High	16 - 20	2
Medium	12 - 15	4
Low	6 - 11	6
Very Low	1 - 5	0
Total		**12**

The key risks scored over 16 (high and above) within the risk register are shown below:

Risk	Risk Mitigations/Processes in place
Welfare Reform becoming a significant barrier to delivery of FCHO's Strategic Objectives.	This risk, with particular focus on the impact of Universal Credit (UC), remains the most significant to FCHO. There have been a series of mitigating actions implemented and as at year-end the collection rate was 99.22%. Following the year end collection rate the score has been reduced to 20. FCHO have implemented a Welfare Reform Action Plan which continues to have a positive impact on rent collection. Whilst the score has reduced, the risk remains categorised as high risk, there are still further Welfare Reform cuts to take effect and there remain a high number of customers who have not yet migrated to Full UC; this is anticipated over the next two years.
Failure to deliver necessary business process re-engineering to ensure delivery of Strategic Objectives	This risk was identified as part of the review of FCHO Strategic Objectives conducted in response to the 1% annual rent reduction (next four years). The Risk Control actions centre upon: • Implementation of Self-Serve – this is aimed at moving people to utilise the available digital services. • The introduction of the customer insight touchpoint surveys across a range of key front line services. Actions have been identified and are being implemented and progressed to improve satisfaction. • Customer Insight Data Analysis – work is continuing to progress and embed the results of Customer Insight reviews with the aim of producing a "single customer view". The overall aim of this is to summarise the customer touch points, presenting a full picture of all the services that FCHO's customers interact with.

FCHO is fully compliant with the NHF Code of Governance 2015.

Pension Costs

FCHO has admitted body status to the Local Government Pension Scheme (LGPS) and contributes via the Greater Manchester Pension Scheme. The Scheme is a final salary pension scheme. FCHO contributes 18.9% of pensionable pay and this is the final year of the three year period with the tri-annual valuation outcome confirming a 1% increase per year for the next three years.

In October 2015 FCHO closed LGPS scheme to new employees and all new employees are offered the option to enrol in a defined contribution scheme.

Corporation Tax

FCHO has charitable status and therefore there is no estimated tax liability for the current year.

Capital Structure and Treasury Policy

To support the delivery of FCHO's Treasury Management Policy and Strategy, a set of Treasury Management Procedures was developed and approved by the Board in May 2018. FCHO's policy is to retain minimum cash whilst ensuring sufficient funds for the refurbishment programme are available. A process is in place to enable cash-flow forecasting and is used to continually monitor future borrowing requirements.

The borrowing strategy, which is approved annually by the Board, aims to forward-fix interest rates on as much debt as possible. This will reduce exposure to any future interest rate increases and create a degree of guarantee over future interest payments.

Loan Facilities

FCHO currently has a loan facility of £55million as follows:

Type	£
Non-Revolving	40,000,000
Revolving	15,000,000
Total	**55,000,000**

The £40million non-revolving facility is available for drawing, repaying and re-drawing upon signing the loan facility agreement up to one month before peak debt. The revolving facility is available for drawing upon signing the loan facility up to the date of peak debt, which is determined from within the latest approved Business Plan.

The term of the facility is 30 Years with effect from 7 February 2011. Total borrowing as at 31 March 2018 was £32.0m.

Re-financing

On 27th June FCHO concluded the re-financing of its loan facility with Santander; increasing the loan facilities from £55 million to a total of £95 million.

Type	£
3 year term loan	10,000,000
5 year term loan	30,000,000
Total	**£40,000,000**

Current Loan Portfolio

	£	Original	Term Remaining
Fix 1	6,500,000	9 years 3 months	3 years
Fix 2	6,500,000	14 years 6 months	9 years 9 months
Fix 3	6,500,000	15 years 3 months	11 years
Fix 4	6,500,000	18 years 3 months	15 years
Fix 5	6,000,000	13 years	13 years

Cash Flow and Liquidity

The net cash inflow from operating activities before interest costs was £26.214m. Bank balances and short term investments were £34.473m at the year end. In addition, FCHO has agreed loan facilities up to £55 million.

Covenant Compliance

Under the terms of the loan agreement the company has to comply with two financial covenants, being:

- Ratio of net cash flow to total interest.
- Asset cover i.e. the value of the stock compared to the outstanding loan.

Performance to 31 March 2018 showed that the company was compliant with both covenants.

Going Concern

After making appropriate enquiries, the Board of Directors confirms that it is a reasonable expectation that FCHO has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it has adopted the going concern basis in preparing FCHO's financial statements.

Approval

This strategic report was approved by the Board of Directors on 22 August 2018.

Vinny Roche
Chief Executive

Independent Auditor's Report to The Members of FCHO Oldham

Opinion

We have audited the financial statements of FCHO Oldham ("the Association") and its subsidiary ("the Group") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of reserves, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102. The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 8, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

Use of our report

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

BDO LLP

BDO LLP
Statutory Auditor
Manchester 31/08/2018

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

Consolidated statement of comprehensive income

For the year ended 31 March 2018	Note:	Year ended 31 March **2018** £'000	Year ended 31 March 2017 £'000
Turnover	2	50,326	49,290
Operating costs	2	(34,870)	(32,825)
Surplus on disposal of fixed assets	5	1,988	1,446
Operating surplus		**17,444**	17,911
Interest receivable and similar income	7	100	49
Interest and finance similar charges	6	(2,558)	(2,641)
Surplus before taxation		**14,986**	15,319
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**14,986**	15,319
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	2,168	(4,891)
Total comprehensive income for year		**17,154**	10,428

All activities relate to continuing operations. The notes on pages 42 to 65 form part of these financial statements.

Association statement of comprehensive income

For the year ended 31 March 2018	Note:	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Turnover	2	50,326	49,290
Operating costs	2	(34,866)	(32,825)
Surplus on disposal of fixed assets	5	1,988	1,446
Operating surplus		**17,448**	17,911
Interest receivable and similar income	7	100	49
Interest and similar charges	6	(2,558)	(2,641)
Surplus before taxation		**14,990**	15,319
Taxation on surplus	9	-	-
Surplus for the financial year after taxation		**14,990**	15,319
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit pension scheme	12	2,168	(4,891)
Total comprehensive income for year		**17,158**	10,428

All activities relate to continuing operations. The notes on pages 42 to 65 form part of these financial statements.

Consolidated and Association statement of financial position

For the year ended 31 March 2018	Note:	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Tangible fixed assets					
Housing properties	13	106,857	96,753	106,872	96,753
Other fixed assets	14	9,572	8,500	9,572	8,500
Investment in subsidiary company	25	-	-	-	-
		116,429	105,253	116,444	105,253
Current Assets					
Debtors - receivable after one year	15	73,789	90,336	73,789	90,336
Debtors - receivable within one year	15	23,626	21,271	23,861	21,271
Investments in short term deposits		12,500	5,000	12,500	5,000
Cash and cash equivalents		21,973	11,816	21,972	11,816
		131,888	128,424	132,121	128,424
Creditors: amounts falling due within one year	16	(15,239)	(10,158)	(15,483)	(10,158)
Net current assets		116,649	118,265	116,638	118,265
Total assets less current liabilities		**233,078**	223,518	**233,082**	223,518
Creditors: amounts falling due after more than one year	17	40,866	33,020	40,866	33,020
Provisions for liabilities and charges					
Other provisions	21	90,748	106,253	90,748	106,253
Pension liability	12	20,432	20,367	20,432	20,367
Long term creditors and provisions		152,046	159,640	152,046	159,640
Capital and reserves					
Income and expenditure reserve		81,032	63,878	81,036	63,878
Non-equity share capital		-	-	-	-
		233,078	223,518	**233,082**	223,518

The financial statements were issued and approved by the Board of Directors on 22 August 2018 and were signed on its behalf by:

Ged Lucas
Chair

Pauline Richardson
Chair of Audit and Risk Committee

The notes on pages 42 to 65 form part of these financial statements.

Consolidated statement of changes in reserves

For the year ended 31 March 2018	Note:	Income and expenditure reserve £'000	Total £'000
Balance as at April 2016		53,450	53,450
Surplus for the year		15,319	15,319
Other Comprehensive Income for the year Actuarial loss relating to pension scheme	12	(4,891)	(4,891)
Balance as at 31 March 2017		63,878	63,878
Surplus for the year		14,986	14,986
Other Comprehensive Income for the year: Actuarial loss relating to pension scheme	12	2,168	2,168
Balance as at 31 March 2018		**81,032**	**81,032**

The notes on pages 42 to 65 form part of these financial statements.

Association statement of changes in reserves

For the year ended 31 March 2018	Note:	Income and expenditure reserve £'000	Total £'000
Balance as at April 2016		53,450	53,450
Surplus for the year		15,319	15,319
Other Comprehensive Income for the year			
Actuarial loss relating to pension scheme	12	(4,891)	(4,891)
Balance as at 31 March 2017		63,878	63,878
Surplus for the year		14,990	14,990
Other Comprehensive Income for the year:			
Actuarial loss relating to pension scheme	12	2,168	2,168
Balance as at 31 March 2018		**81,036**	**81,036**

The notes on pages 42 to 65 form part of these financial statements.

Consolidated statement of cash flows

Group and Association

For the year ended 31 March 2018	2018	2017
	£'000	£'000
Cash flows from operating activities		
Surplus for the financial year	14,986	15,319
Adjustments for:		
Interest payable and finance costs	2,558	2,641
Interest received	(100)	(49)
Depreciation on tangible fixed assets - housing properties	4,294	3,893
Depreciation on fixed assets - other	750	937
Amortised grant	(76)	(75)
Difference between net pension expense and cash contribution	1,682	608
Surplus on the sale of fixed assets - housing properties	(1,988)	(1,446)
Decrease/(increase) in trade and other debtors	624	664
Increase/(decrease) in trade and other creditors	3,484	(2,276)
Cash from operations	26,214	20,216
Taxation paid	-	-
Net cash generated from operating activities	26,214	20,216
Cash flows from investing activities		
Proceeds from sale of fixed assets - housing properties	2,529	2,189
Purchase of fixed assets - housing properties	(15,704)	(14,277)
Purchase of fixed assets - other	(2,426)	(393)
Cash and similar investments	1	(1)
Receipt of grant	2,879	18
Interest received	88	47
Net cash used in investing activities	(12,633)	(12,417)
Cash flows from financing activities		
Interest paid	(1,923)	(2,114)
Loan advances received	6,000	-
Repayment of loans	-	-
Transfer to deposits	(7,500)	(3,000)
Net cash used in financing activities	(3,423)	(5,114)
Net change in cash and cash equivalents	10,157	2,685
Cash and cash equivalents at beginning of the year	11,816	9,131
Net cash movement	10,157	2,685
Cash and cash equivalents at end of the year	**21,973**	11,816

The notes on page 42 to 65 form part of these financial statements.

Notes to the financial statements for the year ended, 31 March 18

Note 1: Accounting Policies

Legal status

The association (FCHO) is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Regulator of Social Housing as a Registered Provider of Social Housing. The association is a Public Benefit Entity (PBE) and is incorporated in the United Kingdom.

FCHO has one subsidiary; New Living Homes Ltd., a registered company under the Companies Act which develops new housing for the group.

Basis of preparation

These financial statements of the group and association have been prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS102), the Statement of Recommended Practice for registered housing providers: Housing SORP 2014, and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS102 requires the Group management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimations means that actual outcomes could differ from those estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies. The impact that potential variations in these judgements may have on the financial statement is explained in the Accounting Policies.

In preparing the financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the group and the parent company would be identical;
- No statement of cash flows has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The Consolidated Financial Statements includes FCHO Registered provider of social housing and its subsidiary New Living Homes Limited (together the Group). The result of the subsidiary is included in the consolidated statement of Comprehensive Income from the date of the formation. All intra-group transactions, balances, surpluses and deficits are eliminated in full on consolidation.

Turnover

Turnover represents rental income receivable and service charges income receivable (net of any voids), amortised capital grant, revenue grants from Local Authorities, Central Government and the Homes and Communities Agency and other income which is recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of voids. Income from property sales is recognised on legal completion.

Service charges

The group adopts the fixed method for calculating and charging service charges to its tenants and leaseholders. Expenditure is recorded when a service is provided and charged to the relevant service charge account. Income is recorded based on the estimated amounts chargeable, there is no allowance for the surplus or deficit being recovered from the previous years.

Current and deferred taxation

The Association has been granted exemption from taxation under the provision of Section 505 of the income and Corporation Taxes Act 1988 because of its charitable status. Deferred tax is recognised when income or expenses from a subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

New Living Homes Limited makes profits which it intends to Gift aid to the association annually within 9 months of its year end to eliminate any taxable profits.

Value Added Tax (VAT)

The group charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. Recoverable VAT arises from partially exempt activities and is credited to the Statement of Comprehensive Income.

Sale of Properties / Property Disposals

The profit or loss incurred upon the disposal of fixed assets will be included in the Income Statement in the year in which the actual disposal occurs. This will be shown as a separate item.

Housing Properties Valuation

Housing Properties are stated at cost, less accumulated depreciation and impairment (where applicable). Housing Properties under construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction. Freehold land is not depreciated. Where a housing property comprises two or more major components with substantially different useful economic lives (UELs), each component is accounted for separately and depreciated over its individual UEL. Expenditure relating to subsequent replacement or renewal of components is capitalised as incurred. The housing stock's useful and economic life will be reassessed on an annual basis.

Improvements to housing properties and depreciation

The group will capitalise repairs expenditure on housing properties which results in an enhancement of economic benefit of the asset. This includes:

- An increase in rental income
- A reduction in maintenance costs
- A significant extension of the life of the property

In line with the Statement of Recommended Practice (SORP 2014), the Group adopts component accounting, i.e. that where assets have two or more major components with substantially different lives, then the assets will be treated as separate components and depreciated over the different lives.

Housing Property Components are identified as and depreciated as follows:

Component	UEL (Years)
Roof	40
Windows and Doors	30
Kitchen	20
Bathroom	30
Heating System	30
Communal	30
Environmental	30
Boiler	15
Electrical Wiring	30
Lift	15
Structure - existing properties	80
Structure - new build	100
Structural Works	30

The improvement works are capitalised at the end of the project. Any direct development staff time spent on schemes up to completion will be capitalised during the year. The depreciation will commence at the date of capitalisation and will be then calculated over the economic life of the improvements.

Any costs that are capitalised under the Improvement Programme comprise all expenditure on doors, windows, roofs, kitchens, bathrooms and heating systems, including: fees, preliminary costs and any other associated costs, but excluding any loan interest payments. Environmental works are capitalised if they meet the value threshold, useful economic life (UEL) and can be directly attributable to a block or individual property.

All other expenditure incurred in respect of general repairs to its housing stock will be charged directly to the Income Statement in the year in which it is incurred.

Impairment
The housing property portfolio for the group is assessed for indicators of impairment at each balance sheet date.

Where indicators are identified then a detailed assessment is undertaken to compare the carrying value of its transfer properties at estate level and this is compared this to the Existing Use Value for Social Housing (EUV-SH). EUV-SH is used as the estimate of the recoverable amount of the property. For the estates where there is an indication of impairment the next step is to review depreciated replacement costs for these assets. The depreciated replacement cost is calculated as the lower of construction cost or acquiring a replacement on the open market for an equivalent property.

Where housing properties have suffered a permanent diminution in value, the fall in value is recorded through a charge to income and expenditure.

Social Housing Grant and other government grants
Where developments have been financed wholly or partly by Social Housing Grant (SHG) receivable from the Regulator of Social Housing and Local Authorities, the amount of the grant received has been included as deferred income and recognised in the Statement of Comprehensive Income over the estimated useful life of the associated asset structure (excluding land costs) under the accruals model. When SHG received in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability. SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by agreement with the Regulator of Social Housing and Local Authorities. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund or Disposal Proceeds Fund and included in the Statement of Financial Position in Creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within Creditors is released and recognised as income within the Statement of Comprehensive Income.

Non-government grants
Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as Turnover in the same period as the expenditure to which they relate.

Recycled Capital Grant Fund
On the occurrence of certain relevant events, primarily the sale of dwellings, the Regulator of Social Housing can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused, recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year, is disclosed in the balance sheet under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

Disposal Proceed Fund (DPF)
Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring-fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund (DPF). Any sales receipts less eligible expenses held within DPF, which it is anticipated will not be used within one year, is disclosed in the Statement of Financial Position under 'creditors due after more than one year'. The remainder is disclosed under 'creditors due within one year'.

Depreciation of other fixed assets
Other Fixed Assets are stated at historical cost less accumulated depreciation. Freehold land is not depreciated. Depreciation is charged on a straight line basis over their expected economic life. The depreciable amount is recognised in the Income Statement over the assets' useful life. Costs over £1,000 will be capitalised and depreciated as follows:

Other Fixed Assets	UEL (Years)
Office Premises	80
Plant and Machinery	5 - 7
Office and Computer Equipment	3
Furniture, Fixtures and Fittings	4
Lift	15

Gains or losses arising on the disposal of other tangible fixed assets are determined by comparing the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year in the Statement of Comprehensive Income.

Short-term debtors and creditors
Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Income Statement in other operating expenses.

Holiday pay accrual
A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Leasing Commitments
Rentals paid under operating leases will be charged to the Income Statement on a straight-line basis over the term of the lease.

Pension costs
Contributions to the group's defined contributions pension scheme are charged to profit or loss in the year in which they become payable. The cost of providing retirement pensions and related benefits are charged to management expenses over the periods benefitting from the employee's services.

The difference between the fair value of the assets held in the group's defined benefit pension scheme and the scheme's liabilities measured on an actuarial basis using the projected unit method, are recognised in the Association Statement of Financial Position as a pension scheme asset or liability (as appropriate).

Bad Debts and Write-Offs
Bad debts will be charged to the Income and Expenditure account in the year in which they are incurred. A provision for bad and doubtful debts will be made on an estimation of those debts that will not be recovered at the balance sheet date.

In respect of rental debtors provision is made on the following basis:

(a) Current tenants at varying percentages dependant on value of the debt based on a bespoke calculation using the current tenant arrears.
(b) Former tenants at 100% of the debt.

In respect of other debtors provision is made for specific debtor balances.

Agreement to improve existing properties
First Choice Homes Oldham have an approved VAT Shelter for 15 years post stock transfer and as a result VAT incurred on the Regeneration Programme will be recovered. As part of the stock transfer agreement the initial first tranche of £15.913m was retained by FCHO, this sum was within the first 5 years post transfer. Following the first tranche, there is a remaining second tranche of VAT Shelter savings of up to £6.0m and this will be retained and utilised solely for asbestos works that exceed the value that is contained within the Stock Condition Survey of £11.144m. First Choice Homes commenced the 50/50 VAT Sharing Agreement with OMBC in December 2015 and asbestos spend levels exceeded £11.144m (as per the Second Tranche) in 2017/18 therefore any spend above this level will be shared 50/50 with OMBC. Related assets and liabilities are shown at gross values.

Provisions
Provisions are made to the extent that the group has no discretion to avoid the expenditure provided for. Provisions will be calculated in line with the guidance contained in FRS102.

Financial liabilities and equity
Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

Cash and cash equivalents
Cash and cash equivalents in the group's consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

Judgements and key sources of estimation uncertainty
In preparing these financial statements, the key judgments have been made in respect of the following:

a) whether there are indications of impairment of FCHO's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the assets and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. Based on our review it has been concluded that there were no impairment triggers in respect of the association's fixed assets housing properties.
b) the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
c) what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation and assumptions:
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing assets' lives, factors such as product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Financial instruments – borrowings – Negative compensation and funding indemnity clauses
Management have assessed the association's loan facilities as basic financial instruments. The association's fixed rate loan facilities allow early payment of the principal and accrued interest in relation to fixed interest tranches. There is an indemnity clause that requires the borrower to pay a compensation premium to the lender if market rates have fallen since the inception of the loan. There is also a clause that means that if market rates have increased, the borrower (i.e. FCHO) would benefit from a compensation premium.

Management do not consider that the clause allowing FCHO to potentially receive a compensation premium upon early repayment of some or all of the fixed rate loan liability makes this financial instrument 'non-basic' or 'other' as outlined in FRS 102 section 11. Management consider that this particular loan clause is specifically compliant with section 11.9b) and 11.9c) of FRS 102 and that the substance of this loan arrangement was always that it was always intended to be a simple fixed rate loan arrangement.

Notes to the financial statements for the year ended 31 March 2018

Note 2: Particulars of turnover, operating costs and operating surplus – Group

	Turnover 2018 £'000	Operating costs 2018 £'000	Surplus/ (Deficit) disposal of assets 2018 £'000	Operating Surplus/ (Deficit) 2018 £'000
Social housing lettings (note 3)	46,748	(32,787)	-	13,961
Other social housing activities				
Management fee	1,572	(1,491)	-	81
Surplus on disposal of fixed assets	-	-	1,988	1,988
Other	1,452	(388)	-	1,064
Activities other than Social Housing				
Other	554	(204)	-	350
Total	**50,326**	**(34,870)**	**1,988**	**17,444**

	Turnover 2017 £'000	Operating costs 2017 £'000	Surplus/ (Deficit) disposal of assets 2017 £'000	Operating Surplus/ (Deficit) 2017 £'000
Social housing lettings (note 3)	46,746	(31,121)	-	15,625
Other social housing activities				
Management fee	1,242	(1,049)	-	193
Surplus on disposal of fixed assets			1,446	1,446
Other	876	(509)	-	367
Activities other than Social Housing				
Other	426	(146)	-	280
Total	49,290	(32,825)	1,446	17,911

Notes to the financial statements for the year ended 31 March 2018

Note 2: Particulars of turnover, operating costs and operating surplus – Association

	Turnover 2018 £'000	Operating costs 2018 £'000	Surplus/ (Deficit) disposal of assets 2018 £'000	Operating Surplus/ (Deficit) 2018 £'000
Social housing lettings (note 3)	46,748	(32,783)	-	13,965
Other social housing activities				
Management fee	1,572	(1,491)	-	81
Surplus on disposal of fixed assets	-	-	1,988	1,988
Other	1,452	(388)	-	1,064
Activities other than Social Housing				
Other	554	(204)	-	350
Total	**50,326**	**(34,866)**	**1,988**	**17,448**

	Turnover 2017 £'000	Operating costs 2017 £'000	Surplus/ (Deficit) disposal of assets 2017 £'000	Operating Surplus/ (Deficit) 2017 £'000
Social housing lettings (note 3)	46,746	(31,121)	-	15,625
Other social housing activities				
Management fee	1,242	(1,049)	-	193
Surplus on disposal of fixed assets	-	-	1,446	1,446
Other	876	(509)	-	367
Activities other than Social Housing				
Other	426	(146)	-	280
Total	49,290	(32,825)	1,446	17,911

Notes to the financial statements for the year ended 31 March 2018

Note 3: Particulars of income and expenditure from social housing lettings - Group

	2018		2017
	General Needs Housing	Total	Total
	£'000	£'000	£'000
Income from social housing lettings			
Rent receivable net of identifiable service charges	45,183	45,183	45,996
Service charge income	1,489	1,489	675
Amortised government grants	76	76	75
Turnover from social housing lettings	46,748	46,748	46,746
Expenditure on social housing lettings			
Management	(11,584)	(11,584)	(10,362)
Service charge costs	(3,428)	(3,428)	(2,766)
Routine maintenance	(6,155)	(6,155)	(6,526)
Planned maintenance	(3,020)	(3,020)	(2,709)
Bad debts	(431)	(431)	(388)
Major repairs expenditure	(3,087)	(3,087)	(3,540)
Depreciation of housing properties	(5,044)	(5,044)	(4,830)
Other Costs	(38)	(38)	-
Operating expenditure on social housing lettings	(32,787)	(32,787)	(31,121)
Operating Surplus on Social Housing Lettings	**13,961**	**13,961**	15,625
Void Losses	**533**	**533**	567

Notes to the financial statements for the year ended 31 March 2018

Note 3: Particulars of income and expenditure from social housing lettings - Association

	2018		2017
		Total	Total
	General Needs Housing		
	£'000	**£'000**	£'000
Income from social housing lettings			
Rent receivable net of identifiable service charges	45,183	45,183	45,996
Service charge income	1,489	1,489	675
Amortised government grants	76	76	75
Turnover from social housing lettings	46,748	46,748	46,746
Expenditure on social housing lettings			
Management	(11,580)	(11,580)	(10,362)
Service charge costs	(3,428)	(3,428)	(2,766)
Routine maintenance	(6,155)	(6,155)	(6,526)
Planned maintenance	(3,020)	(3,020)	(2,709)
Bad debts	(431)	(431)	(388)
Major repairs expenditure	(3,087)	(3,087)	(3,540)
Depreciation of housing properties	(5,044)	(5,044)	(4,830)
Other Costs	(38)	(38)	-
Operating expenditure on social housing lettings	(32,783)	(32,783)	(31,121)
Operating Surplus on Social Housing Lettings	**13,965**	**13,965**	15,625
Void Losses	**533**	**533**	567

Notes to the financial statements for the year ended 31 March 2018

Note 4: Operating Surplus

	Group 2018	Association 2018	Association 2017
The operating surplus is arrived at after charging:	£'000	£'000	£'000
Tangible fixed assets depreciation and impairment:			
Housing stock	**4,294**	**4,294**	3,893
Other fixed assets	**750**	**750**	937
Auditor's remuneration:			
Amounts paid to BDO LLP (excluding VAT):			
In their capacity as auditor's	**25**	**22**	22
Fees for other non audit services	**7**	**7**	7
Operating lease charges:			
Land and buildings	**18**	**18**	72
Other	**622**	**622**	638

Note 5: Surplus on sale of fixed assets - housing properties

Group and Association	**2018**	2017
	£'000	£'000
Disposal proceeds	2,601	2,198
Carrying value of fixed assets	(541)	(513)
	2,060	1,685
Recycled Capital Grant (note 20)	(72)	(239)
Total surplus on sale of fixed assets	**1,988**	1,446

Note 6: Interest payable and similar charges

Group and Association	**2018**	2017
	£'000	£'000
Bank loans and overdrafts	(1,689)	(1,878)
Other finance costs	(317)	(236)
Disposal Proceeds Fund and Recycled Capital Grant	(1)	(1)
Net interest on net defined benefit pension liability (note 12)	(551)	(526)
	(2,558)	(2,641)

Notes to the financial statements for the year ended 31 March 2018

Note 7: Interest receivable and other income

Group and Association	2018 £'000	2017 £'000
Interest receivable and similar income	100	49
	100	49

Note 8: Units of housing stock

Group and Association	2018 No. of properties	2017 No. of properties
Social Housing	10,725	10,810
Affordable - General needs	759	761
Total Owned	11,484	11,571
Units under construction	**190**	0

Note 9: Tax on surplus on ordinary activities

The Group will not incur a tax charge in the year as FCHO has been granted exemption from taxation under the provision of Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status.

The Association received a gift aid payment of £Nil in the period ended 31 March 2018 (2017:£Nil). New Living Homes Ltd. intends to make a gift aid payment to FCHO within nine months of the year end to eliminate any taxable profits.

Notes to the financial statements for the year ended 31 March 2018

Note 10: Directors remuneration

Group and Association	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
The aggregate emoluments paid to or receivable by non-executive directors and former non-executive directors excluding pension contributions	**25**	6	25	6
The aggregate emoluments paid to or receivable by executive directors and former executive directors excluding pension contributions	**878**	871	878	871
The emoluments paid to the highest paid director excluding pension contributions	**130**	155	130	155
The aggregate amount of directors' or past directors' pensions	**125**	105	125	105

Directors are defined as Non-Executive Directors, Chief Executive and the Executive Management Team. These are considered to be the key management personnel of the association.

The Chief Executive is a member of the Association's Group Pension Scheme, the entitlement of the Chief Executive is identical to those of other members, no enhanced or special terms apply.

Board Members

The table below shows emoluments paid to the Board of FCHO during the discharge of their duties.

Board Member	2018 £'000	2017 £'000
Gerard Lucas	10	6
Matthew Jones	2	-
Pauline Richardson	2	-
Philip Pearson	2	-
Mumtaz Ali	2	-
Carl Brazier	2	-
Hilda Kaponda	2	-
John Carleton	2	-
	24	6

The aggregate amount of expenses paid to Board members in the period was £4,148 (£5,031 in 2017).

Note 11: Employee Information

The average number of persons employed during the year expressed as full time equivalents (calculated based on a standard working week of 37 hrs):

	Group 2018 No.	Group 2017 No.	**Association 2018 No.**	Association 2017 No.
Housing maintenance	125	131	125	131
Housing management	176	172	176	172
Support services	22	23	22	23
Development	4	-	4	-
Other services	61	59	61	59
	388	385	**388**	385

Staff costs (including Executive Management Team) consist of:

	Group 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
Wages and salaries	10,653	10,466	10,653	10,466
Social Security costs	1,002	984	1,002	984
Cost of defined benefit scheme	3,114	2,037	3,114	2,037
Cost of defined contribution scheme	134	73	134	73
	14,903	13,560	**14,903**	13,560

Employers and members contribution for the defined benefit scheme are shown in note 12.

The remuneration paid to staff (including the Executive Management Team) earning over £60,000 upwards:

Group and Association	**2018**	**2017**
£60,000 - £69,999	4	1
£70,000 - £79,999	2	3
£80,000 - £89,999	1	-
£90,000 - £99,999	-	3
£100,000 - £109,999	2	-
£110,000 - £119,999	1	1
£120,000 - £129,999	-	-
£130,000 - £139,999	1	-
£140,000 - £149,999	-	-
£150,000 - £159,999	-	1

Notes to the financial statements for the year ended 31 March 2018

Note 12: Pension obligations

Two pension schemes are operated by the association.

a) Defined benefit pension scheme - (employees with a start date pre 1 September 2015)

The association participates as a contributing member of the Greater Manchester Fund (administered by Oldham MBC in accordance with the Local Government Pension Fund Regulations), which is a funded defined pension scheme where contributions payable are held in trust held separately from the company.

The financial assumptions underlying the last valuation are as follows:

Date of valuation	31 March 2018
Method of valuation	Projected Unit

The valuation was based on the following assumptions:

	31 March 2018	31 March 2017
Rate of return on accumulated assets	2.7% pa	2.6% pa
Rate of salary increases	3.2% pa	3.2% pa
Rate of pension increases	2.4% pa	2.4% pa
Discount rate	2.7% pa	2.6% pa

Surpluses and deficits are spread over employees' future service lives and the pension charge recorded by the association during the accounting period was equal to the contributions payable.

Mortality

The average future life expectancies at age of 65 are summarised below:

	Males	Females
Current Pensioners	21.5 yrs	24.1 yrs
Future Pensioners*	23.7 yrs	26.2 yrs

* Figure assumes members aged 45 as at the last formal valuation

Split of Scheme Assets:	Distribution %	Distribution %
Equities	66.0%	75.0%
Bonds	16.0%	16.0%
Property	7.0%	5.0%
Cash	11.0%	4.0%
Total	**100%**	**100%**

Notes to the financial statements for the year ended 31 March 2018

Note 12: Pension obligations continued...

Asset and Liability Reconciliation

	31 March 2018	31 March 2017
Reconciliation of fair value of plan assets	**£'000**	£'000
At the beginning of the year	57,705	46,605
Interest income	1,514	1,698
Contributions by members	518	533
Contributions by the employer	1,432	1,429
Actuarial gains / (losses)	256	8,223
Benefits paid	(818)	(783)
At the end of the year	**60,607**	57,705
Reconciliation of present value of plan liabilities		
At the beginning of the year	78,072	60,947
Current Service Cost	3,086	1,821
Interest Cost	2,065	2,224
Contributions by members	518	533
Actuarial losses / (gains)	(1,912)	13,114
Past service cost / (gains) (including curtailments)	28	216
Estimated benefits paid	(818)	(783)
At the end of the year	**81,039**	78,072
Net pension scheme liability	**(20,432)**	(20,367)

Amounts recognised in other comprehensive income are as follows:

Included in administrative expenses:		
Current service cost	3,086	1,821
Past service cost (including curtailments)	28	216
Total operating charge	**3,114**	2,037
Amounts (charged) / credited to other finance costs		
Interest income on plan assets	1,514	1,698
Interest on pension scheme liabilities	(2,065)	(2,224)
Net interest costs return	**(551)**	(526)
Analysis of actuarial loss recognised in Other Comprehensive Income		
Actual return less interest income included in net interest income	256	8,223
Changes in demographic assumptions	-	(206)
Experience gains and losses arising on scheme liabilities	-	4,430
Changes in assumptions on present value of liabilities	1,912	(17,338)
Actuarial (loss)/gain in other comprehensive income	**2,168**	(4,891)

The estimate of the employer's contributions for the year to 31 March 2019 will be approximately £1.508m (2018 £1.493m).

Notes to the financial statements for the year ended 31 March 2018

Note 12: Pension obligations continued...

b) Defined Contribution Scheme
A defined contribution pension scheme is operated by the association which commenced on the 1 October 2015 on behalf of those employees who started post 1 September 2015. The assets of the scheme are held separately from those of the association in an independently administered fund provided by Friends Life. The pension charge represents contributions payable by the association to the fund and amounted to £146,514 (2017: £73,268). Contributions amounting to £26,529 (2017: £8,954) were payable to the fund as at 31 March 2018 and are included in creditors.

Note 13: Tangible fixed assets - Housing properties

Group

	Social housing properties held for lettings	Social housing properties under construction	Total Social housing properties
	£'000	£'000	£'000
Cost			
At 1 April 2017	108,412	539	108,951
Works to existing properties	12,579	16	12,595
Additions	-	2,344	2,344
Disposals	(630)	-	(630)
At 31 March 2018	**120,361**	**2,899**	**123,260**
Depreciation			
At 1 April 2017	12,198	-	12,198
Charge for the year	4,294	-	4,294
Disposals	(89)	-	(89)
At 31 March 2018	**16,403**	**-**	**16,403**
Net Book Value at 31 March 2018	**103,958**	**2,899**	**106,857**
Net Book Value at 31 March 2017	96,214	539	96,753

Notes to the financial statements for the year ended 31 March 2018

Note 13: Tangible fixed assets - Housing properties

Association

	Social housing properties held for lettings	Social housing properties under construction	Total Social housing properties
	£'000	£'000	£'000
Cost			
At 1 April 2017	108,412	539	108,951
Works to existing properties	12,579	16	12,595
Additions	-	2,358	2,358
Disposals	(630)	-	(630)
At 31 March 2018	**120,361**	**2,913**	**123,275**
Depreciation			
At 1 April 2017	12,198	-	12,198
Charge for the year	4,294	-	4,294
Disposals	(89)	-	(89)
At 31 March 2018	**16,403**	**-**	**16,403**
Net Book Value at 31 March 2018	**103,958**	**2,913**	**106,872**
Net Book Value at 31 March 2017	96,214	539	96,753

The net book value of housing properties may be further analysed as:

	2018	2017
	£'000	£'000
Freehold	98,763	92,210
Long leasehold	5,195	4,004
	103,958	96,214

No capitalised borrowing costs are included in the cost of housing properties.

Works to existing properties in the year:

	2018	2017
	£'000	£'000
Components capitalised	12,579	13,331
Amounts charged to income and expenditure	3,087	3,540
	15,666	16,871

Notes to the financial statements for the year ended 31 March 2018

Note 13: Tangible fixed assets - Housing properties continued...

Total Social Housing Grant received or receivable to date is as follows:

	2018	2017
	£'000	£'000
Social Housing Grant received and taken to statement of comprehensive income	9,463	7,613
Social Housing Grant received and held in creditors as deferred income	2,881	-
Capital grant - Housing Properties	12,344	7,613
Disposal Proceed Funds	99	27
Total Housing Grant received	**12,443**	7,640

Impairment

In accordance with FRS 102 and SORP 2014 the housing properties have been reviewed for any impairment. Following this review it was determined that no housing properties had incurred impairment during the year.

Note 14: Tangible fixed assets - Other assets

Group and Association

	Office buildings	**Equipment**	**Works in Progress**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 April 2017	7,086	3,133	719	10,938
Additions	-	12	1,811	1,823
Transfers	-	320	(320)	-
At 31 March 2018	**7,086**	**3,465**	**2,209**	**12,760**
Depreciation				
At 1 April 2017	200	2,238	-	2,438
Charge for the year	86	664	-	750
At 31 March 2018	**286**	**2,902**	**-**	**3,188**
Net Book Value at 31 March 2018	**6,800**	**562**	**2,209**	**9,572**
Net Book Value at 31 March 2017	6,886	895	719	8,500

* The significant WIP balance relates to the new office building for Property Care which was still under construction as at 31 March 2018.

The net book value of office buildings may be further analysed as:

	2018	2017
	£'000	£'000
Long leasehold	6,800	6,886
	6,800	6,886

Notes to the financial statements for the year ended 31 March 2018

Note 15: Debtors

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Due within one year				
Rental and service charge arrears	2,083	3,713	2,083	3,713
Less: Provision for bad and doubtful debts	(906)	(925)	(906)	(925)
	1,177	2,788	1,177	2,788
Trade debtors	704	486	704	486
Amounts owed by group undertakings	-	-	292	-
Prepayments and accrued income	1,259	1,065	1,259	1,065
Social housing grant receivable	1,933	-	1,933	-
Other taxes and social security	1,173	592	1,116	592
Other debtors	17,380	16,340	17,380	16,340
Total due within one year	23,626	21,271	23,861	21,271
Due after more than one year	73,789	90,336	73,789	90,336
Total debtors	**97,415**	111,607	**97,650**	111,607

The debtors due after more than one year represents £73,789m (£90.336m in 2017) obligation to have improvement work carried out to the properties transferred to FCHO net of £16.959m (£15.917m in 2017) budgeted to be spent in 2018/19 shown within other debtors due within one year. As part of the Stock Transfer Agreement, FCHO was obliged to carry out enhancement works to its housing stock valued at £229,792,273 excluding VAT. FCHO is contracted with Oldham Council to undertake this work over a 15 year period. Essentially the 'benefit' (commitment owed) to the Association under the contract has created a debtor which is effectively offset by the provision stated in note 20. The debtor will reduce as the Association completes the contracted work.

Note 16: Creditors - Amounts falling due within one year

	Group 2018 £'000	Group 2017 £'000	Association 2018 £'000	Association 2017 £'000
Trade creditors	4,714	1,720	4,276	1,720
Social housing grant in advances	2,881	-	2,881	-
Rent and service charges received in advance	2,222	2,106	2,222	2,106
Amounts owed to group undertakings	-	-	699	-
Other taxation and social security	243	246	243	246
Oldham MBC - RTB Clawback	1,442	1,465	1,442	1,465
Accruals and deferred income	2,753	4,294	2,750	4,294
Deferred capital grant (note 18)	75	75	75	75
Disposal proceeds fund (note 18)	2	-	2	-
Recycled capital grant fund (note 18)	1	-	1	-
Other creditors	906	252	892	252
	15,239	10,158	**15,483**	10,158

Other grants received in advance will be utilised against capital expenditure in 2018/19.

Notes to the financial statements for the year ended 31 March 2018

Note 17: Creditors - Amounts falling due after more than one year

	Group 2018 £'000	Group 2017 £'000	**Association 2018 £'000**	Association 2017 £'000
Loan and borrowings facility	32,000	26,000	32,000	26,000
Less: payable within one year	-	-	-	-
Disposal proceeds fund (note 19)	-	240	-	240
Recycled Capital Grant (note 20)	-	-	-	-
Deferred Capital Grant	8,863	6,779	8,863	6,779
Other	3	1	3	1
	40,866	33,020	**40,866**	33,020

Analysis of maturity of debt - Group and Association

	2018	2017
Housing loans repayable by instalments:	**£'000**	£'000
In two years or more but less than five years	6,500	6,500
In five years or more	25,500	19,500
Total Loans	**32,000**	26,000

Security

The bank loans are secured by a floating charge over the assets of the association and by fixed charges on individual properties.

Terms of repayment and interest rates

There are currently four fixed loan amounts drawn down, the repayment dates and interest rates are as follows:

	Repayment date	Interest rate
Fix 1 - £6.5m	31/03/2021	4.47%
Fix 2 - £6.5m	31/12/2027	4.91%
Fix 3 - £6.5m	31/03/2029	5.10%
Fix 4 - £6.5m	31/03/2033	5.10%
Fix 5 - £6.0m	31/03/2031	3.58%

Notes to the financial statements for the year ended 31 March 2018

Note 18: Deferred capital grant

Group and Association	**Social Housing Grant**	**Other Government Grants**	**Total Grant 2018 £'000**	Total Grant 2017 £'000
As at 1 April 2017	4,360	2,494	6,854	6,929
Grants received during the year	1,850	-	1,850	-
Grants recycled from the disposal proceeds fund (note 19)	241	-	241	-
Grants recycled from the recycled capital fund (note 20)	72	-	72	-
Net grant in relation to disposals	-	-	-	-
Released to income in the year	(48)	(28)	(76)	(75)
As at March 2018	**6,475**	**2,466**	**8,941**	6,854

	2018 £'000	2017 £'000
Amounts to be released within one year	78	75
Amounts to be released in more than one year	8,863	6,779
	8,941	6,854

Note 19: Disposal proceeds fund

Group and Association	**2018 £'000**	2017 £'000
As at 1 April 2017	240	-
Net sales proceeds recycled	-	239
Interest accrued	1	1
Use/allocation of funds:	-	-
New build	-	-
Major repairs and works to existing stock	(241)	-
Other	-	-
Repayment of grant to the HCA	-	-
As at March 2018	**-**	240

Withdrawals from the disposal proceeds fund were used for the purchase and improvement of new housing for letting and for approved works to existing housing properties.

As at 31 March 2018, there is £nil due for repayment and £nil has been paid in the year.

Notes to the financial statements for the year ended 31 March 2018

Note 20: Recycled capital grant fund

Group and Association	**2018**	2017
	£'000	£'000
As at 1 April 2017	-	-
Grants recycled from sale of Right to Acquire sales	72	-
Interest accrued	-	-
Recycling of grant:	-	-
New build	-	-
Major repairs and works to existing stock	(72)	-
Other	-	-
Repayment of grant to the HCA	-	-
As at March 2018	**-**	-

Withdrawals from the recycled capital grant fund were used for approved works to existing housing properties. As at 31 March 2018, there is £nil due for repayment and £nil has been paid in the year.

Note 21: Provision for liabilities and charges

Group and Association	**2018**	2017
	£'000	£'000
Opening balance as at 1 April 2017	106,253	122,859
Less: Investment expenditure	(15,505)	(16,606)
Closing balance as at 31 March 2018	**90,748**	106,253

The provision represents the best estimate of the costs of contracted works for the repair and improvement of transferred properties incurred under the Development Agreement. The provision will be utilised as the works are actually completed (See note 15 for further details).

Note 22: Capital Commitment

Group and Association	**Group 2018**	Group 2017
	£'000	£'000
Capital expenditure that has been contracted for but not been provided for in the financial statements	**22,287**	2,244
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**11,600**	25,870

The above commitments will be financed primarily through borrowings (£29,429k), which are available for drawdown under existing loan arrangements, with the balance (£4,458k) funded through social housing grant.

Notes to the financial statements for the year ended 31 March 2018

Note 23: Operating Leases

Group and Association

At the end of the year the Group and Association had minimum lease payments under non-cancellable leases as set out below:

	2018	2017
Land and Buildings	**£'000**	£'000
Less than one year	-	36
Total	**-**	36
Other leases		
Less than one year	530	604
Later than one year but not later than five years	438	981
Total	**968**	1,585

Note 24: Investment in Subsidiary

FCHO is the Parent entity in the Group and ulitmate controlling party. These financial statements consolidate the results of FCHO and New Living Homes Ltd. which is a subsidiary of the association at the end of the financial year (New Living Homes Ltd. was incorporated on 20 October 2016). The association owns all the share capital and has the right to appoint members of the board of the subsidiary and thereby has ultimate control. The subsidiary is a regulated company which has the same registered office as the group.

Notes to the financial statements for the year ended 31 March 2018

Note 25: Related party disclosure

The ultimate controlling party of the group is FCHO - Registered social housing provider. There is no ultimate controlling party of FCHO.

As a member of the Group FCHO has had the following transactions with its subsidiary:

2017/18	**Income**	**Expenditure**	**Debtors/(Creditors)**
	£'000	**£'000**	**£'000**
New Living Homes Limited	292	(745)	(408)

The above transactions relate primarily to recharges in relation to staffing from FCHO to the subsidiary, also included within the transactions above are running costs FCHO incurs on its behalf in managing New Living Homes Ltd.

The association received a gift aid payment of £Nil in the period ended 31 March 2018 (2017:£Nil).

There is currently one board member of the company who is also a tenant:
Bernadette Callaghan (Former Chair) - Tenant

Board Members' tenancy arrangements are on normal commercial terms and they are not able to use their position on the board to their advantage. Rent charged to the Tenant Board members was £4,131 (2017: £6,397). There are no arrears on their tenancies at the reporting period end (2017: £Nil).

One member of the Board is currently a Councillor of OMBC. All transactions with the council are on normal commercial terms and they are not able to use their position on the board to their advantage.

Note 26: Financial Instruments

The Group's and Association financial instruments may be analysed as follows:

Financial assets	**Group**	Group	**Association**	Association
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Fixed assets measured at historical cost:				
- Trade receivables	704	486	704	486
- Other receivables due within one year	21,663	19,721	21,898	19,721
- Other receivables due after more than one year	73,789	90,336	73,789	90,336
- Investments in short term deposits	12,500	5,000	12,500	5,000
- Cash and cash equivalents	21,973	11,816	21,972	11,816
Total financial assets	**130,629**	127,359	**130,863**	127,359
Financial liabilities				
Financial liabilities measured at amortised cost:				
- Loans payable	32,000	26,000	32,000	26,000
Financial liabilities measured at historical cost:				
- Trade creditors	4,714	1,720	4,276	1,720
- Other creditors due within one year	10,525	8,438	11,207	8,438
- Other creditors after more than one year	8,866	7,020	8,866	7,020
Total financial liabilities	**56,104**	43,178	**56,349**	43,178